S. HRG. 98-50

REAUTHORIZATION OF AMTRAK

HEARING

BEFORE THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

ON

REAUTHORIZATION OF AMTRAK

MARCH 14, 1983

Serial No. 98-13

Printed for the use of the
Committee on Commerce, Science, and Transportation

U.S. GOVERNMENT PRINTING OFFICE
19-171 O WASHINGTON : 1983

5261-31

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

BOB PACKWOOD, Oregon, *Chairman*

BARRY GOLDWATER, Arizona
JOHN C. DANFORTH, Missouri
NANCY LANDON KASSEBAUM, Kansas
LARRY PRESSLER, South Dakota
SLADE GORTON, Washington
TED STEVENS, Alaska
BOB KASTEN, Wisconsin
PAUL S. TRIBLE, Jr., Virginia

ERNEST F. HOLLINGS, South Carolina
RUSSELL B. LONG, Louisiana
DANIEL K. INOUYE, Hawaii
WENDELL H. FORD, Kentucky
DONALD W. RIEGLE, Jr., Michigan
J. JAMES EXON, Nebraska
HOWELL HEFLIN, Alabama
FRANK R. LAUTENBERG, New Jersey

William M. Diefenderfer, *Chief Counsel*
Ralph B. Everett, *Minority Chief Counsel*

CONTENTS

Page
Opening statement by Senator Danforth 1
Opening statement by Senator Hollings 1

LIST OF WITNESSES

Clayton, W. Graham, president, National Railroad Passenger Corp (Amtrak); accompanied by Don Brazier, group vice president, finance and administration 7
  Prepared statement 19
  Questions of the majority and the answers thereto 26
  Questions of the minority and the answers thereto 28
  Question of Senator Heflin and the answer thereto 33
  Question of Senator Lautenberg and the answer thereto 33
Deets, Edward P., president, Central Florida Coach Lines, Inc.; accompanied by Jim Nelligan, consultant; and Betty Deets, secretary-treasurer 54
  Prepared statement 56
Snyder, James R., chairman, legislative committee, Railway Labor Executive Association; accompanied by Larry Wotzszak, vice president, United Transportation Union 41
  Prepared statement 44
  Questions of the committee and the answers thereto 47
Till, Thomas A., Deputy Administrator, Federal Railroad Administration; accompanied by William Loftus, Acting Executive Director 34
  Prepared statement 35
  Questions of the majority and the answers thereto 38
  Questions of the minority and the answers thereto 39
  Questions of Senator Lautenberg and the answers thereto 40
Wallop, Hon. Malcolm, U.S. Senator from Wyoming 2
Williams, Barrett M., assistant director, National Association of Railroad Passengers 49
  Prepared statement 51

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

Herschler, Hon. Ed., Governor, State of Wyoming, statement 5
Friends of the Railroad, statement 62
Orr, Hon. Robert, Governor and chairman, committee on transportation, commerce, and technology, National Governors' Association, letter of April 4, 1983 69
Premo, Jerome C., executive director, New Jersey Transit Corp., statement 67
Sherlock, Norman R., president, American Bus Association, statement 61
Sussman, Mitchell, president, Atlantic City Bus Operators Association, statement 63

REAUTHORIZATION OF AMTRAK

MONDAY, MARCH 14, 1983

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
SUBCOMMITTEE ON SURFACE TRANSPORTATION,
Washington, D.C.

The subcommittee met, pursuant to notice, at 1:35 p.m., in room 253, Russell Senate Office Building, Hon. John C. Danforth (chairman of the subcommittee) presiding.

Staff members assigned to this hearing: Pamela J. Garvie, staff counsel and Linda J. Morgan, minority staff counsel.

OPENING STATEMENT BY SENATOR DANFORTH

Senator **DANFORTH**. The Subcommittee on Surface Transportation will be examining the appropriate authorization levels for Amtrak for fiscal years 1984 and 1985. For purposes of this examination, both the administration and Amtrak have forwarded funding proposals and legislative proposals dealing with Amtrak. The legislative proposals include provisions on the State-assisted 403(b) trains, commuter trains, labor protection, full crew laws, and debt retirement.

As part of our examination, the subcommittee will also be considering testimony on Amtrak's current operations and on the effect on these operations of recent congressional earmarkings for specific trains or routes. Concern has been expressed that these earmarkings may have an adverse effect on Amtrak's efforts to improve its basic system and its financial performance.

In addition to testimony given today, the subcommittee welcomes the statements of other individuals and groups. The record will be open for 2 weeks to provide such written statements.

I have a statement by Senator Hollings which will be included in the record at this point.

[The statement follows:]

OPENING STATEMENT BY SENATOR HOLLINGS

Today the committee is holding a hearing on Amtrak, the nation's rail passenger system. As one who remains committed to limiting federal spending where possible, I am pleased that we have made significant strides towards controlling the federal investment in rail passenger service while at the same time meeting the nation's transportation needs.

While Amtrak was envisioned originally as a for-profit corporation, it has become clear over the years that the national rail passenger needs cannot be met without some continued federal funding. We must, however, continue to ask ourselves what the appropriate level of this funding should be.

Two years ago, this issue was hotly contested when the administration proposed a significant reduction in Amtrak's funding. This proposal was opposed by those who believed that this reduced level would not provide service responsive to the needs of all parts of the country and, in fact, would not necessarily result in a sounder investment of federal dollars.

After much debate, Congress provided a level necessary for the continuation of a national system. At the same time, however, it mandated improvements by Amtrak in its financial and operational efficiency. I am pleased to see that through the significant efforts of Amtrak management and labor, progress has been made to this end.

More specifically, Amtrak has met its congressional mandate to cover 50 percent of its costs through its revenues, a goal which Amtrak has achieved through aggressive and creative cost-cutting and increased revenues—attained even with the current economy when ridership is down. Also, it has increased the number of passenger miles served for each dollar of federal investment, indicating a clear trend towards improved efficiency. Amtrak continues to improve the quality of its service, with better on-time performance and improved equipment.

In mentioning these achievements, I want to give credit where credit is due. Amtrak's management is to be commended for consistently finding new ways of cutting costs and increasing revenues without jeopardizing its basic service. I want to also commend rail labor, whose continued sacrifice and cooperation have made it possible to institute changes in work rules and other conditions so vital to Amtrak's productivity. Clearly it takes this type of commitment from all parties to ensure that the system can be maintained and strengthened.

I look forward to continued improvement in the Amtrak system and pledge my commitment to working to this end.

Senator **Danforth**. The first witness is Senator Wallop.

STATEMENT OF HON MALCOLM WALLOP, U.S. SENATOR FROM WYOMING

Senator **Wallop**. Thank you very much, Mr. Chairman.

Mr. Chairman, I want to offer you my thanks for allowing me to make a few statements on behalf of my Wyoming constituents. My purpose for appearing before you today is twofold.

First, I want to state for the record my adamant opposition to the pending Amtrak board of directors' decision to completely discontinue passenger rail service to and from Wyoming.

Second, I would like to make a few remarks in light of the upcoming decisions the committee will make on Amtrak's fiscal year 1984 budget authorization request.

Let me frame my remarks by reading a section from the Rail Passenger Service Act, section 101, which outlines congressional findings. The declaration of purpose states, and let me quote:

> That the traveler in America should to the maximum extent feasible have freedom to choose the mode of travel most convenient to his needs, that to achieve these goals requires the designation of a basic national rail passenger system, and the establishment of a rail passenger corporation for the purpose of providing modern, efficient intercity rail passenger service.

As far as I know, the State of Wyoming is still in the Union. Our constituents pay Federal taxes which continue to support Amtrak service in other parts of the country, the Northeast corridor, the Midwest, and the west coast. Yet on March 16, 2 days from today, Amtrak's board of directors will make a decision to reroute a segment of their San Francisco Zephyr train from the southern tier of Wyoming into the Rocky Mountains of Colorado.

This decision will therefore eliminate the primary purpose of Amtrak's existence which is—in my opinion—to provide a public service to the traveler in America, and I quote again, "the freedom to choose the mode of travel most convenient to his needs."

Wyoming residents will no longer have this option for transportation. They will no longer have the freedom of choice, as Congress so clearly indicated all travelers in America should have.

In 39 days, from March 16 to April 24, according to Amtrak president, Hon. W. Graham Claytor, Jr., all rail passenger service will terminate to and from Wyoming pending board approval. As you can imagine, some of our constituents are in a state of shock, and Senator Simpson, Congressman Cheney, and I have reached a point of complete frustration as well. Our hands are literally tied because there is nothing we can do to force Amtrak into continuing service, even at a reduced level, short of introducing legislation.

Amtrak is not even required by law to give our State 120, 90, or even 60 days' notice, or any notice at all, of a possible service discontinuation, because this change is considered a "rerouting of service between major population centers on existing routes."

On the other hand, the State of Wyoming has indicated their interest to participate in the 403(b) program. However, the timing of Amtrak's decision happened to coincide with the adjournment of our State legislature. Funds could not be available for such a venture until the legislature meets in January 1985, or unless a special session was convened in 1984.

We will be left with a gap in service if we cannot work out another arrangement with Amtrak to maintain some type of passenger service until the State can make suitable 403(b) financial arrangements and, unfortunately, I have not received any indication that Amtrak would be willing to pursue some type of compromise aside from 403(b) funding.

At this point, I would like to take a few minutes to describe the Wyoming route. Wyoming is a sparsely populated State with not quite a half million people living in 92,000 square miles, with varied geographic topography. Amtrak service connects 5 of the 10 largest cities straight across the southern tier of Wyoming that are not connected to one another by air service, and in some cases not even by bus service.

These cities include Cheyenne, Laramie, Rawlins, Rock Springs, Green River, and Evanston. The population in every single one of these cities has significantly increased from 1970 to 1980, largely because of the area's underlying energy resource potential. Wyoming ranks first in the Nation for trona production, second in uranium, fourth in coal, and sixth in natural gas. These modern day energy boomtowns such as Rock Springs, Green River, and Evanston have come very close to doubling in size from 1970 to 1980. Rock Springs grew by 66 percent, and Green River literally tripled from 1970 to 1980, from 4,000 people to 12,000.

I have seen ridership figures which indicate ridership increased by 4 percent in Rock Springs, 9 percent in Green River, and 28 percent in Evanston from 1981 to 1982. But more important than the numbers are the other very real and necessary services this mode of transportation provides to our State.

For example, Amtrak is the only all-weather mode of transportation to and from southern Wyoming. During the 1982 Christmas blizzard, Amtrak was the only means of travel across Wyoming's southern tier. Sections of Interstate 80 were closed periodically during that severe storm.

Wyoming veterans also depend on Amtrak service for transportation to VA hospitals in Denver and Salt Lake City for needed medical treatment, as do other Wyoming residents who suffer from cancer, diabetes, and life-threatening diseases. My point here is that not only does the population alone still justify some type of continued or even reduced service, but clearly rail transportation is still being used consistently in Wyoming.

The major stumbling block to continued service, in my point of view, is Amtrak's expressed desire to improve its revenues by improving its view out of the window. As Mr. Claytor stated in his March 8 letter to the Wyoming delegation:

> In these projections, we have not taken account of the principal advantage this new routing will afford, the exceptional scenery along the Denver-Rio Grande route. Our data base does not allow us to calculate scenic benefits with any precision, but to my mind this would be the single greatest factor in improving revenues associated with this service.
>
> While operating this train through some of America's most spectacular mountain scenery, I am convinced that we will improve the marketability of the Zephyr well beyond what is reflected in the projections noted here.

Now, I do, Mr. Chairman, realize that Amtrak is continuing to pursue its congressional mandate to reduce its dependence on Federal subsidies, and although the Corporation has provided the Wyoming delegation with their comparative ridership and revenue figures for the Wyoming route and the Colorado-Rio Grande route switch, I still believe Wyoming revenues from 1978 to 1982 showed continued improvement, from $33,696 to $87,122, and I do understand Mr. Claytor's desire to run a profitable railroad.

Yet, I still believe Congress established the National Railroad Passenger Corporation to provide service and not to promote tourism, which is what this rerouting amounts to. As the congressional delegation said in its recent letter to the Secretary of Transportation, Mrs. Elizabeth Dole, and I quote:

> It is becoming increasingly difficult for us and our constituents to comprehend the reasoning behind this proposed total service withdrawal in light of proposed increases in Federal financial aid to Amtrak.
>
> These would include moneys contained in the jobs bill, which contains a total of $155 million for capital improvements, as well as the recently announced $70 million worth of structural improvements to Union Station.

Today, Amtrak will approach this committee to request a fiscal year 1984 authorization for what I am told of around $800 million, which would be $118 million above the administration's request of $682 million, and $100 million over their fiscal year 1983 level of $700 million.

At this point, speaking only for myself, I will have no reason to support future Amtrak budget reauthorizations, nor could I possibly support in a vote any increase above the administration's recommended request, especially in light of Amtrak's expected and projected revenue increases on their proposed route change from Wyoming to Colorado.

Also, I do realize that the committee drafted language so as not to hamper Amtrak's progress toward a sound fiscal footing. However, as in the case of Wyoming, because we are not considered a major route discontinuation by Amtrak, only a rerouting of service between major population centers, Denver, Colo., and Ogden, Utah, I would like to encourage the committee to review and revise language contained in section 404(c) of the Rail Passenger Service Act when reroutings affect total service withdrawals from a State.

Amtrak should be required to give at least 90- to 120-days' notice to a State under these circumstances so the State can pursue other arrangements. There are some States that would not mind seeing Amtrak roll up their tracks and clear out forever. Wyoming, however, is not one of them.

In closing, I would also ask the committee to attempt to encourage Amtrak to work on some type of service compromise with the State of Wyoming instead of total elimination.

The State of Wyoming has long been a friend and a home of the railroads. Our State played a key role in laying the ties for the first transcontinental railroad.

As one of Wyoming's elected representatives, I intend to do what I can to assure my constituents' transportation needs are adequately met by the Federal Government as well as private carriers, especially one that the Federal Government has found it in its interest to subsidize under the concept of passenger rail service in the first place.

As we approach the 21st century, we must not be forced to return to the days of two-wheel carts and pack animals of the 19th century.

Mr. Chairman, that concludes my statement.

I would say this, that to my dismay, when I talked to Mr. Claytor on the telephone, he stated that no decision had been made, and that we would be welcome down at the board's meeting, only to discover that the decision had in fact been made, unofficially and we were just being informed of it.

I also have a statement by Governor Herschler, which he has asked me to read.

Senator **Danforth**. Well, I wonder if you think it would be appropriate for the Governor's statement to be included in the record. I assure you it will be given our full attention.

Senator **Wallop**. I would be happy to. He, as do I, has expressed some frustration about the way we have been treated, especially with regard to the State's expressed hope that somehow or another we might be able to assist in the subsidy for that rail service through section 403(b).

[The statement follows:]

STATEMENT OF HON. ED HERSCHLER, GOVERNOR, STATE OF WYOMING

I appreciate this opportunity to enter my statement into the record of this hearing. For several months I have been reading newspaper accounts of Amtrak's proposal to drop passenger service through the State of Wyoming.

I have had no official from the National Railroad Passenger Corporation contact me or my staff until two weeks ago, after we called and wrote Amtrak.

It was only on March the 10th that I was officially notified of Mr. Claytor's intent to recommend re-routing of the Denver-to-Ogden portion of San Francisco Zephyr at the March 16 Amtrak Board meeting. If approved, that action would be implemented on April 24.

I have been told that Wyoming's future passenger service is not the subject of this hearing. Wyoming, however, has learned some lessons in dealing with Amtrak that should be considered in any re-authorization legislation.

Congress should require Amtrak's President to work closely with affected Governors before any re-routing is recommended to the Amtrak Board.

Congress should require the Amtrak President to invite affected state Governors to any Board meeting where re-routing is being discussed.

Congress should require the Amtrak President to provide the affected Governors with all technical studies that form the basis of any proposed re-routing recommendation. Furthermore, Congress should provide for a minimum 90 day review period so that any Governor can present an adequate defense to an action that has a devastating effect on a State.

Senators, I am angry. The treatment I have received is shoddy, at best, and full of deceit, at worst. Wyoming will probably lose all passenger service in 41 days, even though I am going to do my best to prevent it.

If I have been misled and Wyoming's potential loss of passenger service is an oversight matter for this committee, then I ask you to direct that Amtrak postpone the re-routing decision until July 1st and turn over all pertinent re-routing studies and surveys to me be April 1st.

There are plenty of reasons why Wyoming's passenger service deserves to be continued. According to a report prepared by the Intermountain Association of Railroad Passengers, there is a greater on-line population for the current route than for the proposed route:

Union Pacific		D&RW (Rio Grande)	
Greeley	53,006	Granby	[1] 554
Cheyenne	58,429	Bond	[1] 80
Laramie	24,410	Glenwood Springs	[2] 7,500
Rawlins	11,547	Rifle	[1] 2,150
Rock Springs	19,458	Grand Junction	28,184
Green River	12,807	Thompson	[2] 800
Evanston	6,421	Green River, Utah	[2] 3,000
Ogden	([3])	Helper	[2] 2,000
		Provo	73,907
Total	186,078	Total	118,175

[1] 1970 census figures—1980 figures not available when report was compiled.

[2] 1980 census figures not available when this report was written. Figures are educated guesses within 500 people of actual population.

[3] If Ogden, Utah were added in at 70,197 people (1970 census) this would mean the Rio Grande route would only have 46 percent of the population served by the Union Pacific. (If the "San Francisco Zephyr" is run west via Wendover, Nevada instead of Ogden.)

There is a faster running time for the curent route by 2–3 hours. The service is used (ridership increased last year) by residents throughout the state, unlike the Rio Grande whose traffic is primarily out of the Denver metro area. It is the only all-weather mode of transportation serving Wyoming and serves 5 to 10 of its largest cities.

During our severe winters. Amtrak is often the only mode of travel across the southern tier of counties.

CURRENT WYOMING RIDERSHIP STATISTICS (+ Greeley, CO.)

	Fiscal year		Percent
	1982	1981	
Greeley	9,182	9,028	+1
Cheyenne	13,567	14,341	−5
Laramie	8,255	8,247	+0
Rawlins	9,302	9,681	−3
Rock Springs	10,569	10,151	+4
Green River	5,237	4,793	+9
Evanston	3,896	3,036	+28
Total	60,008	59,277	+1

Even I did not realize how many Wyoming residents rely on Amtrak until this re-routing was rumored. Scores of people have written me and called my office reporting their anger over the threatened loss of service. I am told that fresh flowers and blood is often delivered by Amtrak. The Brotherhood of Locomotive Engineers tells me that the re-routing will force the loss of some 50–60 jobs.

As you can see, the present route provides a vital transportation and economic service to our state. To propose that such a service be totally dropped with just the same amount of time that Noah spent in the Ark is an outrage. Please help me prevent a grave injustice from being forced upon us.

Again, I thank you for this opportunity to present my observations and suggestions.

Senator **Danforth.** I would like to suggest, Senator Wallop, that on the conclusion of your testimony, you might like to join me and ask any questions you would like on this particular route before he starts his testimony.

Let me ask you one question. You said in your testimony that the legislature will next meet in January of 1985, but as I understand it, there is a possibility of a special session prior to January of 1985.

Senator **Wallop.** There is a budget session at which emergency matters can be brought up by a two-thirds vote of the legislature, of each house. It is possible that we could do that in January or February of next year, but it is no consequence to us if the decision is already made and the service is already gone.

Senator **Danforth.** Prior to that time, can the Governor call a special session of the legislature?

Senator **Wallop.** He could do that, yes.

Senator **Danforth.** All right. Well, would you like to join me, and then Mr. Claytor, if it is satisfactory with you, prior to your regular testimony, if you would like to give us the benefit of your thoughts on this particular route change, we would appreciate it.

STATEMENT OF W. GRAHAM CLAYTOR, JR., PRESIDENT, NATIONAL RAILROAD PASSENGER CORPORATION, ACCOMPANIED BY DON BRAZIER, GROUP VICE PRESIDENT, FINANCE AND ADMINISTRATION

Mr. **Claytor.** Yes, sir.

Mr. Chairman, I appreciate this opportunity very much, and I would be delighted to discuss this problem.

When Amtrak was first founded, one of the original plans was to follow the midcontinent transcontinental route of the old California Zephyr, which was probably the most popular transcontinental train at the time that went across the country, and included the Colorado Rockies, the Moffit Tunnel route, and then the Feather River Canyon.

That was not possible because the Denver and Rio Grande Railroad did not join Amtrak at all, so the ultimate route was the Union Pacific route through southern Wyoming, which has been followed.

Within the last several months, we raised with the Rio Grande Railroad again the question of whether or not we might not reroute this train, and after fairly extensive negotiations, they have agreed to accept the standard Amtrak contract and to do so. That made it possible for us to go back to our original plan of putting the train through the Colorado Rockies.

Actually, the cost saving would be significant even without any increased transcontinental ridership, a net improvement of about $1.6 million from added revenues, because of the service to the Colorado cities, and Salt Lake City, which would be more than we were able to generate in Wyoming.

However, as Senator Wallop said, the principal reason for wanting to make this change is that our transcontinental travelers are almost all vacation people. One does not go from Chicago or the east coast to the west coast by train if one merely has a business appointment there. Our business consists almost entirely of discretionary travels, people who want to enjoy their trip and who want to go for that reason.

So, we think that we can generate at least twice as much savings as I have indicated if we reroute the train through Colorado.

Now, we do not like to abandon service either, but since Amtrak has been in existence, we have had to abandon a very large number of routes, including some whole states, including the State of Oklahoma. We do not serve a large number of major cities. We are a nationwide system but we cannot serve all the places that we would like to servs. To do so would require appropriations into the billions.

So, my objective to improve service and reduce costs. This reroute will do just that, and it will carry more people. It will provide a better service to those we do carry. And it will save us money.

The timing was dictated by our ability to make the arrangements with the Rio Grande Railroad, which we just concluded. We will give the standard statutory 30-day notice of any change of route.

Now, if we postpone this until next fall, we would lose the entire season. Most of our transcontinental passengers, vactioners, are carried in the summertime, and we are very anxious to advertise this route and move into it quickly. That is the main reason for changing the route at this time.

However, as Senator Wallop says, the Wyoming service is needed more in wintertime than otherwise for the relatively few people who do use it. If the legislature could have a special session in the summer, there would be adequate time for us to work out a 403(b) train that could operate prior to cold this winter.

We have some figures on the 403(b) train. Our best guess is that it would cost the State about $1,016,000 for the first year's payment. If we did this, we would operate a locomotive, an Amfleet coach, and an Amfleet cafe car directly from Denver through the present route to Ogden, which would connect at both ends with the transcontinental train.

The relatively few people that we project would use this service would cause it to be a very expensive train to run. However, it could be done under 403(b), and as I say, the first year payment at the present rates would be just over $1 million. We would be happy to negotiate that with Wyoming. Regarding the reroute, however, we are very anxious to make the change now so that we can get the benefits I've mentioned this summer. That is our basic situation.

Thank you, sir.

Senator **Danforth**. Senator Wallop.

Senator **Wallop**. Thank you, Mr. Chairman.

Mr. Claytor, one of the things that irritates us about the way we have been treated as a state is that you have been so unforthcoming with us in your plans. While our legislature was meeting, and when I first called you, they were still in session, you told me that not only had no decision been made, but I was welcome to come down there and try to persuade you and your board otherwise.

Mr. CLAYTOR. This is true, sir.

Senator WALLOP. We were never given that opportunity.

Mr. CLAYTOR. I certainly invited you as well as Senator Simpson, Congressman Cheney, and Governor Herschler and your staffs to my office 2 weeks ago to present any information you wished to have considered, and we had quite an interesting meeting with your representatives.

Now, when I first talked to you, we had not made a decision and could not, because we had not concluded our negotiations with the Rio Grande Railroad, which is the initial step to making the reroute possible. We thought we were making progress but until a tentative agreement had been reached, not even a management decision could be made.

The management decision was made after that, but we held off making it firm until we could have the discussions with you and the other representatives from Wyoming. We now propose to take it to our board of directors, which will make a final decision. So no final decision has yet been made. This decision can only be made by our Board. Your office was notified the same day we informed the Board of our intention to raise this matter at the March 16 Board meeting.

Senator WALLOP. Why is it that you are projecting less passenger miles on a more expensive train, after you reroute, than presently exists there?

Mr. CLAYTOR. We have calculated the number of people who have been riding the Rio Grande's local train three times a week, the population centers, including Salt Lake City at the far end and Denver at this end, and the local passengers, and the number of people we would expect to pick up would increase our revenues more than the increased expenses by a factor of——

Senator WALLOP. Mr. Claytor, that is not my question.

Mr. CLAYTOR. I am sorry, I did not understand.

Senator WALLOP. My question was that you are saying that the 403(b) route service will be a more expensive train than it presently is for you. Wyoming would be very suspect of figures like that.

Mr. CLAYTOR. May I explain why? Because——

Senator WALLOP. Let me explain. The rest of my reasoning is that partly because you say that your pickup is solely going to be on the basis of tourists and the more scenic route. If you are just talking about population served, you serve a population of some 75,000 to 80,000 people more going through southern Wyoming and up through northern Colorado than you do going across the mountains.

So, I guess you are making an assumption that the people in Wyoming are no longer going to ride because it is prettier south of them.

Mr. CLAYTOR. No. Let me deal with two separate things. First is the additional revenue not counting the transcontinental tourists who would be attracted by the mountains, which we have not put into this, just the additional revenue from the places served in Colorado versus the places served in Wyoming. That is where we get the $1.6 million, and I have spelled it out as to how that is reached in my letter, and I will be glad to submit that for the record.

The other point, why would the 403(b) train be so expensive? The reason is that the 403(b) train would carry no through passengers. The only reason we could afford to run this train through Wyoming at all is, it is carried by the through passengers, not by the local people.

Senator **Wallop**. But, sir, you just said that it would meet the other train. Why would these passengers not be through?

Mr. **Claytor**. Because no one is going to ride from Chicago to San Francisco, get off the train in Denver, ride your train through Wyoming, and then get on the train again in Ogden. There will be no passengers doing that.

Senator **Wallop**. You are assuming that nobody in Wyoming would go anywhere?

Mr. **Claytor**. No. Wyoming passengers will. Our figures include all passengers to and from any stop in Wyoming and the town of Greeley, Colo., which would also be served by this train. All passengers to or from any stop in Wyoming to or from anyplace in the United States are included.

But even those numbers are very small. The big numbers on this train are people who are going all the way through and, of course, the amount they pay to get across Wyoming; the portion of their ticket that pays for getting across Wyoming is really what supports the train today across Wyoming. Those passengers will not be crossing Wyoming; they will be crossing Colorado. So the only revenues we can attribute to a 403(b) train are for passengers going to or from, including long-distance passengers, points in Wyoming, as well as the ones going from point to point in Wyoming. And that is not a very large number. We figure, including Greeley, Colo., it would be about 52,000 people a year.

And when we work all that out, the short-term avoidable loss would be about $2¼ million, and the first year payment from the State on that under the 403(b) statute would be 45 percent, or just about $1 million.

Senator **Wallop**. Has Amtrak seriously considered any other alternatives such as rerouting another train, the Desert Wind or the Pioneer?

Mr. **Claytor**. Yes. That would be more expensive than the other type of 403(b). It would be more expensive because——

Senator **Wallop**. What about an alternative to 403(b)? What about the fulfilling the obligation that was set out in the fundamental doctrine, which provides you life, the Rail Passenger Service Act?

Mr. **Claytor**. The extra cost of running a second long-distance train, a heavy train with locomotive, cars, and everything else, across that distance would add to the cost so much that the net effect of the change would be negative. So we could not do that.

Senator **Wallop**. So in essence, you are making the statement to this Congress that Amtrak exists primarily to promote tourism and not to serve the public——

Mr. **Claytor**. Well, Amtrak does not exist to serve all the communities in the United States that could use or need rail service, because we can never be funded for that at our present level. I think Amtrak exists to serve the maximum number of people we can serve at the minimum cost, and we will be serving more people by taking more people transcontinentally by this route than the other way. And that is really the justification, sir.

Senator **Wallop**. Yes. Well, I think it is unfortunate, and I just wish to state to you, how badly we feel we have been treated by you and your board, as a State. That we do not feel that you have dealt with us forthrightly or honestly; we do not really find much of comfort in the figures that you are giving us under 403(b).

It is a rather substantial figure that you are quoting for a population of 500,000 people to maintain a service which you, by your existence, have made my constituents accustomed to. By your existence, most bus lines no longer serve some of these cities.

And now, with Greyhound asking out and other bus lines asking out and you just walking out, without giving us any means of comment—I guess we had comment but it was of precious little use to us because the decision was essentially already made—and on top of everything you are not required to give us any notice. You simply walk out, and we have the 10 most populous cities in our State without transportation of any kind. Perhaps that is the way, in the world of deregulation, when the one subsidized passenger service which we have left in the country now seeks to promote tourism rather than service.

I am sorry it is that way. We will continue to struggle as a State to try to make some sense out of this. And I do not believe that $1.5 million makes very much sense in terms of 403(b), and I would ask you to reconsider that figure as well.

Mr. **Claytor**. Well, this is a preliminary figure and we have not had all the input. We do a thorough study on an application. This is as good a figure as we can come up with on the basis of the prospective ridership.

Senator **Wallop**. Thank you.

Mr. **Claytor**. I want to say to you, Senator, that I deeply regret that you feel we have treated you badly. I have attempted to be as frank and as quick about this as I could, but as I say, until I could complete—I knew that we were able to make an arrangement to run this train over the Rio Grande. There was nothing I could do about it. It was still a possibility in the air.

As soon as it became probable, immediately I got in touch with your office and the office of the other representatives of Wyoming. I apologize if you feel that way. I am just as sorry as I can be.

Senator **Wallop**. I do not mean to be insulting to you, and to discredit in any way your professional capabilities as businessmen or as the head of Amtrak. But the problem you have got is this; you simply have ignored what is reality in Wyoming, and what is reality in Wyoming is that our legislative session is over, and our ability to cope flexibly with any of your decisions is gone, and the ability to reinstitute these things, once removed—it obviously would be more expensive for you and more expensive for us to get back into that business once gone.

Mr. **Claytor**. It is in some cases. In this case it would not be, Senator, because all of the stations that we serve in Wyoming are stations that are manned by the Union Pacific with their own people for their own purposes, and will continue to be so. So there would be essentially no capital cost to renew this service at any time in the course of the next year or 18 months. No stations would have to be built or any of that sort of thing.

Senator Wallop. Well, manpower costs. You will be moving people, as I understand it.

Mr. Claytor. No. The people who are in Wyoming are all employees of the Union Pacific, and they would continue right there. They serve as agents, freight agents and that sort of thing.

Senator Wallop. I might just say that if this is the case, it is a peculiar time to be doing just that because one of the things we are doing in the jobs bill is providing money to the railroads to make more jobs and, in the process, we are losing 60 in Wyoming.

Mr. Claytor. Well, we will be increasing the transportation jobs by the other route, so the net change in jobs is going to be none. There will be train operating people who will have less to do in Wyoming and more in some others, in Colorado, who will have more to do. And that is the way it has to be whenever one changes a route.

Senator Wallop. I wish I could say we thank you, but I do not think we do.

Mr. Claytor. Well, thank you anyway, Senator Wallop.

Senator Danforth. Is this the first time you have had the experience of congressional opposition to the discontinuation of service?

Mr. Claytor. This is my first testimony with Amtrak, sir, but as Secretary of the Navy and Deputy Secretary of Defense, I have had a few difficulties with the closing of bases.

Senator Danforth. Has Amtrak ever had questions about closing down routes, or has it been smooth sailing?

Mr. Claytor. I suspect we have in the past, but I was not here so I cannot give you any personal experiences about it. But I understand the problem and I understand Senator Wallop's feelings, and I sympathize with them.

Senator Danforth. Well, Mr. Claytor, thank you very much. Now it is your turn at bat for whatever you would like to say. I would just like to point out at the outset that I am delighted to welcome you to this subcommittee, and your record and reputation and the esteem with which you are held in the Government and, as far as I know, throughout the transportation industry as well, is just really outstanding. We are honored to have you in this particular service, and delighted to have you before the subcommittee today.

Mr. Claytor. Thank you very much, Mr. Chairman. It is a great pleasure for me to be here. First of all, I would like to say that I have with me Don Brazier on my right who is our group vice president for administration and, really, our chief financial officer. I would like to ask that my formal statement be included in the record.

Mr. Chairman, I recall that my last appearance before this committee was 7 or 8 years ago when I was serving as president of Southern, and I now consider it a great privilege to be back again as president of Amtrak, and a relatively new one.

My principal goal at Amtrak is to provide better service at lower cost with essentially the current national system. There was great progress in this made in the last 3 or 4 years under the leadership of my predecessor, Alan Boyd, who I think did a superb job.

We have reached the goal of covering 50 percent of our operating costs with revenues in 1982, a couple of years before target. We are increasing passenger miles per constant dollar of Federal support, and I am hopeful we are going to continue to move forward in that. In fact, I may make some of my colleagues shudder, but I will say that I am shooting at 60 percent of our short-term avoidable costs from revenues in the foreseeable future, and I am going to keep working at that.

A lot of that is being done through labor productivity. We had an agreement with the nonoperating employees earlier in 1982 that really was a great step forward. It set our wages at below the industry level. It revised over 100 outdated work rules that increased productivity. We expect to save some $6½ million in both 1983 and 1984, and that has been reflected in our budget.

And most important of all, we created a joint labor-management productivity council, with labor and management working together in a continuing effort to find new ways of increasing productivity. Former Senator Birch Bayh has been jointly selected as the chairman, and I am very hopeful that that is going to produce more good results in the future.

Last fall, also, we reached a breakthrough agreement with the engineers and with the United Transportation Union representing conductors and trainmen, covering all of our operations in the Northeast corridor. This agreement ended the time-mileage formula pursuant to which people were paid by the number of miles they traveled and not the number of hours worked. We have everyone now on a 40-hour week, 8-hour day, and time-and-a-half for overtime. At the same time, these agreements ended all of the arbitraries that had grown up over the years.

The rail industry, as I know too well from experience, is loaded with these arbitraries. You get paid extra for switching the train at the end of the run. You get paid extra if you have to take the passenger cars through a car washer; engineers get paid more if they ride on a heavy engine than if they ride on a light engine. All of that has been changed; the arbitraries are gone and I think we are the only railroad in the country that has accomplished that.

We anticipated about $13 million savings on this in the Northeast corridor in 1983, $18 million in 1984, and somewhat more than that in 1985, and these figures are reflected in our operating budget request.

On management productivity, I think we have also made progress. We cut our headquarters from over 1,500 people in 1980 to 914 in 1983. Some of that was decentralization, but at least a 25-percent decrease was made by just getting rid of people that we could do without.

Safety is my highest priority. When I was with Southern we managed to win the Harriman Gold Medal for the best record in safety among the class 1 railroads, and since I have left they have won it three more times. I have instituted the same program at Amtrak. Safety is No. 1. It comes ahead of better service and it comes ahead of saving money, and we are well along in that.

Our Washington terminal right here in Washington had the finest safety record in the first months of this year that they have ever had in the 70 years of experience there. We are having contests between our different sections for improved safety. That is employee safety, but we are also dedicated to improving passenger safety.

We have underway a major program for safety training of all of our onboard people—the ones that work for us as well as the conductors and trainmen on the other railroads. I am going to see to it that this is done on a refresher basis. Training them once is inadequate; you have got to do it over and over and over, as personnel change and as they forget. We are going to have a major safety training program in operation.

Now I would like to turn to our funding request. The administration's budget request for Amtrak comes to $682 million, consisting of $614 million for operating funds, and $68 million for capital. We agree that, given certain stated assumptions included in the administration's request, we can join in requesting that figure. The assumptions, however, are pretty critical.

I think we all assume that Amtrak will continue to operate, essentially, the current national system, continue to be excused from interest payment to the Federal Financing Bank, would have no increase in railroad retirement or railroad unemployment tax, so if we do we will have to add it later, after we find out what it is, and that inflation will not exceed 8 percent for railroad labor and materials.

To reach the administration's budget figure of $682 million, however, the administration has made several additional assumptions. 403(b) and 403(d) would be amended to include full long-term avoidable cost payments by the States or localities. A lump sum ceiling of $20,000 would be put on labor protection payments, and they have also assumed that various earmarked funds will not be spent or would otherwise be funded.

We have filed our request on the basis of existing law and, therefore, we have not made those assumptions. But if we accept those assumptions, we can come out with the same figure.

Could I ask the committee to turn to attachment 1 at the end of my statement, which is a reconciliation of the two budgets. At the top of that statement we have Amtrak operating and labor protection, $652 million; the administration, $614 million. The only difference between those two is in that first paragraph, $38 million savings that would result from the three legislative changes proposed by the administration—full reimbursement of costs on 403(b) and 403(d), and lump sum labor protection.

So we basically agree on $652 million or $614 million, depending on those assumptions. In other words, we can pull our $652 million back to $614 million if those legislative changes are made.

Now we look at capital. Amtrak requests $148 million; the administration, $68 million. But if we look down in the first full paragraph below there, we find that in fiscal year 1982 the Rail Safety Act directed that Atlantic City track reconstruction of $30 million be funded from existing Northeast corridor improvement project funds, and that $20 million of West Side Connection capital money be taken from Amtrak's budget.

Now, that is $50 million that has been necessarily set aside. We do not have that in our basic capital budget for 1984, but as we feel we must add it since existing law requires us to do those projects. If we subtracted that $50 million from the $148 million we end up with $98 million. The $98 million is exactly what we have included in our budget submission and in our justification, and we have itemized all the items that make up that $98 million.

But we do not need $98 million in new money if, as in the second paragraph down below, we do not have to spend $30 million of 1983 money that we have been instructed to set aside and have set aside for two other items—$25 million to rebuild the Shelbyville, Ind., line and $5 million to start rebuilding a Cape Cod line.

If we do not have to spend $30 million on these items, we will credit that amount against our 1984 capital request. So that would reduce our $98 million further to $68 million, which is the figure that the administration has requested. So basically, the difference between our two figures is entirely earmarked funds in capital and savings from certain proposed legislative changes in operating.

To sum up, we can join in the administration's request for a total of $682 million if all the assumption discussed become reality. If none of them occur, however, our request is for $652 million for operating and $148 million for capital for a total of $800 million.

Now, Mr. Chairman, there are a number of other items dealt with in my prepared statement, but I think I have summarized the most critical ones, and I would now be glad to try to answer any questions the committee has about anything I have covered, about anything in my prepared testimony, or about anything else you are interested in.

Senator **Danforth**. Mr. Claytor, thank you very much. There is a vote on the Senate floor. I have a number of questions which I would like to put to you. I do not know how many questions Senator Exon has. Maybe you would like to proceed right now.

Senator **Exon**. Mr. Chairman, thank you very much. Mr. Claytor, I want to compliment you on your fine statement. After I go to the floor to vote, I will be putting my other hat on to go over to the Budget Committee, where I will again work, as I have the last several years, to make sure that we have adequate but not excessive funding for Amtrak.

I guess you are familiar with the fact—and I believe it is true—that the Commerce Committee recommended $750 million to the Budget Committee for Amtrak.

Mr. **Claytor**. I have just learned that recently; yes.

Senator **Exon**. Would you agree that if we had $750 million or even $682 million, we would be in the ballpark if you did not have the earmarked funds?

Mr. **Claytor**. If I do not spend the earmarked funds and if there is another $38 million involved in savings that would result from certain legislative changes.

Senator **Exon**. If we wanted to make sure, we would have to put that money in the budget with the understanding that it would be reduced if the legislative initiatives that the administration has recommended become law.

Mr. **Claytor**. $720 million I think it would come to that, yes.

Senator **Exon**. Mr. Claytor, as one who has fought very hard for the Amtrak program, I am just delighted at the progress report that we have had. Many of us have had great faith in this program, and I think with what has happened in the last couple of years after a knockdown, dragout fight with the administration.

Mr. **Claytor**. I remember that, sir.

Senator **Exon**. I think those of us who have believed that we must continue a nationwide rail transportation service are somewhat vindicated. I think your selection was an excellent one. It is good to have good, sound railroad people running these programs, and I congratulate you on the progress.

I am delighted to see that for the first year in a long time, we do not seem to be as far apart as we were on the recommendations on the budget. So we seem to be coming to some kind of a consensus, and I believe that we are going to have success again and continue to expand the productivity and the success of the Amtrak service. I congratulate you.

Mr. **Claytor**. Thank you, sir, I appreciate it.

Senator **Danforth**. Mr. Claytor, I fully agree with Senator Exon's comments, and adopt them as my own. But I will be back with some embellishments and further questions in about 15 minutes, if you could just wait.

[Recess.]

Senator **Danforth**. Mr. Claytor, thank you very much for waiting.

Mr. **Claytor**. Yes, sir.

Senator **Danforth**. Now, with respect to the earmarking by Congress which you have previously discussed and which you pointed out on the attachment to your testimony, this earmarking is for projects which do not necessarily reflect the best wisdom of Amtrak. Is that correct?

Mr. **Claytor**. Well, Amtrak has not requested any of those. They are all capital; they are not operating. Some in the past have been operating; these are all capital expenditures. They are to open new routes, for the most part.

Senator **Danforth**. The ideas came from Congress?

Mr. **Claytor**. Yes; there is one exception to that. The exception is the West Side Connection. We were planning to do the West Side Connection anyway; we were not planning to get it into this budget.

But the West Side Connection in New York I think is a cost-effective thing. We have not got the final costs on it, which is one reason we have not gone ahead with it. But you see, that would enable us to concentrate all of our trains in New York City in one station. We would get out of Grand Central, which is very expensive for us, we would get out of the old New York and Harlem line with its third rail operation and come down the Hudson directly into the Pennsylvania Station.

So that is one item that I have discussed with some of the New York people and I have said this is one we want to do, but—

Senator **Danforth**. By and large, these are not Amtrak initiatives.

Mr. **Claytor**. That is right. All of the others are to create new routes, which we have not requested.

Senator **Danforth**. And your goal, as I understand it, is to improve existing Amtrak service and at the same time reduce the amount of Federal grants to Amtrak?

Mr. **Claytor**. That is my objective.

Senator **Danforth**. And that was also the objective that Congress put in the law, was it not?

Mr. **Claytor**. Yes, sir.

Senator **Danforth**. It is not your view that these add-ons do not meet that criterion?

Mr. **Claytor**. Since they are capital expenditures, they are not subject to the operating criteria. The only question is, will the new service that would then be operated over these new routes help or hurt our criteria, and I think you have to look at each one. That does not address the question of whether it has a decent return on investment. The investment is made and written off. Are you then going to operate the service in a way that helps your system?

Now, I think it will vary from item to item. The Atlantic City thing, I think there is no question that there is an enormous market for taking people between Philadelphia and Atlantic City. There is a question in my mind as to whether that distance will allow you to be able to take the business away from buses because of the convenience of going point to point.

Senator **Danforth**. All I am trying to get at is that these projects do not reflect your judgment.

Mr. **Claytor**. No.

Senator **Danforth**. Or the judgment of the Amtrak board as to good policy with respect to Amtrak.

Mr. **Claytor**. No, sir.

Senator **Danforth**. This would be the kind of thing that editorial writers would call pork. Is that not right?

Mr. **Claytor**. I do not like to classify it in those terms.

Senator **Danforth**. Well, if you were an editorial writer, you might call it pork?

Mr. **Claytor**. You might. That is right.

Senator **Danforth**. How is the Cardinal doing?

Mr. **Claytor**. The Cardinal is projected for 1984, and I think it is a fairly solid projection to meet its criteria. It already meets the cost criterion. It is not quite there yet on PM/TM—in 1982 it had 140 passenger miles per train mile. The criterion is 150. It almost made it. And with the upturn in business which we see everywhere, I feel confident that the Cardinal will make it next year.

Anyway, we are in agreement. The administration is no longer asking us or Congress to discontinue the Cardinal.

Senator **Danforth**. Now, with respect to 403(b) and 100 percent of operating costs being picked up by the States, what would happen to those routes if that were done?

Mr. **Claytor**. In my personal opinion, most of them would be discontinued. The bill, I think, is too big all of a sudden to have most States pick it up. Now, that is pure judgment. It is just my guess. Frankly, Mr. Chairman, I am in agreement that the States ought to pay more on 403(b) than they now do if they want the service.

But I would continue to move as Congress did last year to take a step at a time, and if, for instance, in 1985, Congress wanted to change the first year payment from 45 to 50 percent, and in the second year, from 65 to 70 or 75 percent, I feel that is a doable thing, and I would be for it. I am really not initiating it, but if someone asked me, I would be for it. But to take a real big step at one time, I am afraid, will just "wipe the clock."

Senator **Danforth**. It would not save very much money if we were to do that?

Mr. **Claytor**. Yes, because the trains come off. We would obviously save—we would save everything except labor protection.

Senator **Danforth**. But I mean instead of saving $27 million, which is all you save if it is full cost, and that does not assume any trains come off, does it, the $27 million, or does it?

Mr. **Claytor**. No.

Senator **Danforth**. But if you went instead up to full cost, if you upped it by 5 or 10 percent, that would be a kind of a marginal savings. I wonder if it would be worth the contest.

Mr. **Claytor**. Well, my feeling is that it accumulates over the years. Each little bit helps. If you get that, we might do a little more later. We might get to where the administration is, in another 10 years, if business can pick up, and what not, but I feel that it accomplishes more to move gradually than to do it too quickly.

Senator **Danforth**. Could you give the committee your authorization levels for 1985?

Mr. **Claytor**. One reason we did not present it at this time, Mr. Chairman, is the problem presented by all of these open questions, these very large set-aside figures which make our 1984 figure $148 million instead of the administration's figure of $68 million.

So, we thought we would be almost playing games if we started guessing at what it would have to be the following year, but we can come up with a figure, and we will do so within the next 2 weeks, as best we can. We may have to put some conditions on it, you know, but I think we can do so, and will.

[The following information was subsequently received for the record:]

Our request for fiscal year 1985 will be $800 million, assuming the following:

Fiscal year 1984 appropriation at (or near) requested levels.

Fiscal year 1985 appropriation will be at (or near) recommended authorization level of $800 million.

Current train frequencies and service levels (plus Auto ferry service to begin September 1983).

No substantial increase in employer contribution to railroad retirement, or cost of labor agreements.

Fares increase by 6 percent over fiscal year 1984.

Railroad inflation levels off at 8 percent, in both fiscal year 1984 and fiscal year 1985.

Senator **Danforth**. OK. Thank you.

Then, finally, on the question of labor protection, the lump-sum payment, and also the 30-mile limitation change, the aggregate of those two changes would only save $2 million?

Mr. **Claytor**. Yes. Well, you see, that is for the current year. It would save unknown amounts in the future. We only have $3 million in labor protection payments right now, and this would save two-thirds of it.

Actually, our proposal is one which says we would rather pay people to work than pay them not to work. We have said, let us keep all the current provisions of the C-2 agreement except the provision that says you do not have to move more than 30 miles, and say instead, if we have a job anywhere on the system that the person can be qualified to fill, we pay him his moving expenses. That is included in the current C-2 agreement.

Then the employees have three choices. We would offer them the job. They would have a choice of taking the job and accepting the moving expenses and then maintaining employment status, or they can take the lump-sum settlement that is provided in C-2 which is more than $20,000. It is 16 months 'pay, which would average around $32,000 or $33,000. Or, they can just stay where they are and maintain seniority, but take a furlough. Three alternatives.

And to me, that is fair, reasonable, and would, over the long haul, I think, save us a good deal of money, probably not quite as much as the administration. But you can combine that with the lump-sum settlement—not what it is in the the C-2 agreement—but what the administration says, of $20,000 max, and it would save even more. That is a more drastic change. Either would be acceptable to us.

Senator **Danforth**. Well, whether it is a good idea or not, it would only save about $2 million a year.

Mr. **Claytor**. Yes, but it does more than that, Mr. Chairman, because there are all kinds of disincentives to make changes that would save money and ought to be changed when you have to offset the savings by how much it would cost to pay people if you are going to change a route. It so happens that the change of route from Wyoming to Colorado involves none, because all the people now working in Wyoming are not covered by C-2 for various reasons.

But if I wanted to make some other changes that made sense, you would have to look very hard at the labor protection, and you may discover in some cases that labor protection cost eats up all the savings, so you have to wipe it out. It is a very bad continuing problem, and it would be vastly alleviated if we could move the people when we move the jobs.

Senator **Danforth**. Mr. Claytor, thank you very much.

Mr. **Claytor**. Thank you, Mr. Chairman.

[The statement follows:]

STATEMENT OF W. GRAHAM CLAYTOR, JR., PRESIDENT, AND CHIEF EXECUTIVE OFFICER, NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

Mr. Chairman and Members of the Committee, it is my pleasure to appear before this Committe for the first time as President of Amtrak.

I came to Amtrak, Mr. Chairman, with a goal of improving every service we are currently operating and at the same time making every effort to reduce the federal grant to Amtrak in a way that will not result in a deterioration of service.

One observation I have made in my brief tenure at Amtrak is that this Corporation operates more in the public eye and is subject to more continuing scrutiny than almost any provate enterprise. I am not sure how other corporations might meet the test of operating in a fishbowl, but I am proud of Amtrak's performance.

As you know, Mr. Chairman, Amtrak received a two-year authorization in the Amtrak Improvement Act of 1981, which expires at the end of this fiscal year. Although the complex budget process which produced the 1981 legislation actually reduced Amtrak's authorized federal grants from the levels of previous years, the 1981 legislation provided the Corporation greater flexibility to make decisions that resulted in more efficient use of corporate resources and helped achieve financial and performance goals mandated by law. The Corporation has enjoyed a high degree of stability over the last two years and has consistently improved the quality of service it provides.

In Fiscal Year 1982, although a depressed national economy kept systemwide ridership below projected levels and skewed our revenue and cost forecasts, Amtrak was able to demonstrate its ability to function as a first-rate operating railroad. In the face of a declining economy, Amtrak was able to reduce its administrative and infrastructure costs while implementing marketing strategies to maximize revenues. As a result, Amtrak met its statutory goal of recovering 50 percent of its costs through revenues in Fiscal Year 1982 and is determined to improve on this performance in Fiscal Year 1983.

Amtrak's financial performance must be put in the context of the entire commercial transportation industry. After an approximate 10 percent growth rate per year over the past decade, the industry recorded a decrease in the total revenue base for the first time in its history. The airlines maintained ridership through competitive discount pricing which accounted for 80 percent of the industry's seats sold last October. However, current economic conditions and heightened competition were to blame for the third consecutive year of airline losses in 1982. Amtrak, on the other hand, followed a strategy quite different from the airlines in order to meet the statutory requirement to recover 50 percent of our costs through revenues.

In addition, the Corporation expanded its mail and express program and began to better utilize real estate and other assets to increase revenues from sources other than ticket sales. I might add, Mr. Chairman, that in fulfilling the statutory goal to maximize our resources, Amtrak has been extremely careful not to use federal grants to compete with the private sector in our revenue diversification efforts; I am confident these efforts have been accomplished without any direct federal support.

Amtrak will continue to institute innovative marketing strategies on selective routes. Recently, Amtrak kicked off a new national marketing compaign which we hope will make potential passengers recognize that we truly are a first-class carrier with an extensive national network, excellent on-time performance, modern equipment, and solid support services. We followed the introduction of the campaign with a discount fare promotion designed to give people a desire to try our services, maintain revenues and improve ridership during the slow winter travel period.

Amtrak has also imposed tight spending controls which have held down our expenses in virtually every area of our operating budget. Many of these savings were simply attained by resource and manpower productivity improvements. In addition, I have asked each department at Amtrak to institute thorough scrutiny of its budget and have required a rejustification before any personnel vacancy is filled. Between fiscal year 1980 and fiscal year 1982, Amtrak reduced its total employment by over 2000 people. Productivity improvements and cost controls have made Amtrak a leaner but more efficient operation.

Despite these cost-cutting measures, Amtrak's service has continued to improve in almost every area. These are not isolated achievements, but represent consistent progress in financial, operating, equipment and customer service performance over the last four years.

To be more specific:

Significant progress was made through agreements with labor in both the operating and non-operating crafts. Amtrak was able to achieve substantial productivity gains with our labor partners without work stoppages.

Revenues in fiscal year 1982 were up 10 percent from that of fiscal year 1981. Amtrak's revenue per passenger mile yield increased by 14 percent which compares favorably with the 4 percent decline recorded by the scheduled airlines. Amtrak's fiscal year 1983 revenues are expected to be significantly higher than they were in fiscal year 1982.

The Corporation has reduced both personnel and its train operating expenses, has improved productivity, and is ahead of its statutory goal to increase the number of passenger miles generated systemwide per dollar of federal support by at least 30 percent over the two-year period of fiscal years 1982 and 1983. In fiscal year 1982 Amtrak achieved productivity improvements that resulted in a 14 percent increase in passenger miles generated per constant dollar of federal subsidy. In fiscal year 1983 we are expecting to achieve a 17 percent increase over the fiscal year 1982 level, resulting in a cumulative increase since fiscal year 1981 of 33 percent.

1982 was the first time Amtrak's system operated with an all-electric passenger car fleet eliminating the need for steam equipment of the type that has been in use for the last century. All of Amtrak's passenger cars and most of its locomotives are now either new (less than five years old) or totally rebuilt. The capital commitment made by Congress to improve Amtrak's equipment is now paying dividends. This modern fleet, along with improved maintenance, has yielded the best on-time performance ever—nearly 80%, surpassing the performance of many other public carriers.

Service improvements are evident from the decline in the number of passenger complaints. For example, complaints dropped almost 50 percent in 1981 from the previous year and an additional 17 percent in 1982.

Despite the poor economy, the Corporation carried more than 19 million people in fiscal year 1982 and retained its position as the sixth largest intercity passenger carrier in the country.

BUDGET

I am well aware of the current environment of fiscal restraint facing the Federal Government. Despite our improvements in productivity and performance, we are dependent upon federal support. As long as I am president of Amtrak, I intend to be frank about Amtrak's funding needs and tenacious about reducing costs. The fact is that there are no passenger railroads in the world that are operating at a profit. Congress should not expect Amtrak to make money but you should expect that the federal commitment will be well managed. I intend to do everything I can to fulfull that expectation.

As I have indicated earlier, during fiscal year 1982, Amtrak had taken a number of rigorous economy measures to hold down its operating expenses and improve its productivity in order to meet the congressional mandate of achieving a 50 percent revenue-to-cost ratio. Efforts at cost control were successful and, as a consequence, Amtrak spent approximately $77 million less on operating expenses in fiscal year 1982 than we had originally estimated, and we informed the appropriate committees that we could apply the operational savings to our fiscal year 1983 funding requirement. Also, we reduced our fiscal year 1983 capital budget by $11 million and thereby advised Congress that we would be able to meet the funding level contemplated in our fiscal year 1983 appropriation request of $788 million, with an appropriation of only $700 million.

I also made it clear that the $700 million appropriation was premised on the assumption that Amtrak would not be required to use any of these funds to purchase or upgrade the track along the Indianapolis-Cincinnati route. Congress subsequently passed the fiscal year 1983 Transportation Appropriations Act, which was signed by the President on December 18, 1982, and which provided $700 million for Amtrak but still required Amtrak to set aside $25 million of this appropriation until mid-June 1983. The effect of this was to further reduce by $25 million our ability to carry out our capital program—at least until after mid-June of this year.

For fiscal year 1984, Amtrak proposes an operating grant of $649 million, which is slightly below last year's request of $650 million. With additional revenues and cost controls, Amtrak is able to stay at this level despite an inflation rate of 8 percent [1] which is equivalent to approximately $100 million in cost.

This request is based on a total operating budget of $1417.6 million and projected revenues of $773.7, a 14 percent increase over fiscal year 1983 estimated revenues. This cost and revenue estimate is one with which the Administration agrees and was used as the base for its budget request.

Our funding level assumes that Amtrak will continue to operate in fiscal year 1984 all routes currently in the national system, and that there will be no change in the law with respect to the level of state contributions for 403(b) service or 403(d) "sunset commuter" train service. Amtrak agrees with the Administration that additional savings would be achieved if the law were changed to require the states to pick up more costs of operating 403(b) and 403(d) services. However, from our budget planning point of view, we have necessarily assumed existing law, so that we will continue to have these funding requirements. Amtrak's budget also assumes that:

Inflation will not exceed 8 percent (based on a railroad labor and materials inflation index).

Amtrak will continue to be excused from interest payments to the Federal Financing Bank.

No substantial increase in the employer contribution will occur under the Railroad Retirement Act or the Railroad Unemployment Insurance Act.

---

[1] The railroad industry generally experiences a higher inflation rate than the national average due to a different mix of goods and services. Instead of home mortgages, clothing and other household costs that are included in the Consumer Price Index, Amtrak's inflation rate is heavily dependent on labor agreements and the price of specialized materials such as wooden ties, copper and steel.

Although Amtrak cannot yet determine the actual impact of increasing the employer contribution to railroad retirement, we can provide the Committee with a general rule of thumb: for each percentage increase required of the employer for railroad retirement, the cost to Amtrak will be approximately $6.4 million per year. In addition, when the Railroad Unemployment Insurance Act (RUIA) base increases by $100 per month, the cost to Amtrak will be an additional $2.3 million annually.

Although there is a high degree of uncertainty over any projection beyond 1984, Amtrak believes that a two-year authorization will allow us to achieve efficiencies through planning. If Congress agrees that a two-year authorization is desirable, I would be happy to work closely with this Committee during the next few months to arrive at a reasonable out-year level.

I am pleased to note that the President's budget also assumes that Amtrak will continue to operate the current national system. This is particularly important, Mr. Chairman, because past public debates over the elimination of Amtrak routes have had an adverse effect on our ability to market these services. In a recent survey, Amtrak found that debates over eliminating service leave a misconception in the minds of the traveling public regarding the continued availability of Amtrak service. Over 73 percent of those polled in the course of this study believed that government budget cuts had resulted in the elimination of a number of Amtrak trains, and 62 percent felt sure that rail service had been cut on routes they might want to travel. Further, many potential passengers, when making travel and vacation plans, simply eliminated rail travel as an option because they felt there was a good chance Amtrak would not be around in the future.

Amtrak and the Administration are in essential agreement on Fiscal Year 1984 funding for operating assistance. Our only difference on the operating grant concerns the Administration's assumption of $38 million of cost reduction as a result of specific changes in the law. A brief review of the Administration's assumptions highlights the legislative changes required in the Rail Passenger Services Act in order to enable Amtrak to operate the current system under the Administration's budget.

The Administration's budget assumes $27 million in savings by changing the law to require states and passengers to pay for 100 percent of all costs to operate the existing 403(b) service. Congress recently modified the funding formula for 403(b) service in the Amtrak Improvement Act of 1981, P.L. 97-35. The 1981 Act requires states to pay 45 percent of the first-year losses and 65 percent of the second and all succeeding years to operate the service, in addition to 50 percent of all associated capital costs. The law was intended to provide for gradual transition toward a greater non-federal share in the funding of these trains. If Congress changes the law to increase the state contribution to 100 percent for 403(b), it is important to note that to achieve the full $27 million savings, all states must continue to participate at the same level to avoid triggering labor protection payments resulting from discontinued service that would cancel some of the savings assumed in this change. Although the Administration's proposal may be a desirable objective, it would probably result in decisions by states to cancel most 403(b) state-supported services. An additional factor is that many of the affected state legislatures will not be in session by the time a federal statute is enacted which will make it impractical, if not impossible, to increase the state contribution during Fiscal Year 1984.

The Administration also assumes a $9 million savings by requiring states or communities and passengers to pick up 100 percent of the cost of the 403(d) "sunset commuter" trains, or by eliminating these services. Amtrak agrees that such a savings is possible if it ceased to operate these routes or if some entity other than Amtrak fully paid for the operation of these services.

What we need most is the flexibility to make adjustments to these services as circumstances require, as well as the leverage to negotiate an equitable arrangement with the states or communities involved, similar, for example, to the contract now in effect with the State of Maryland, for whom Amtrak is operating a commuter service. To obtain this leverage, we need to be relieved of the statutory obligation to operate these 403(d) services if we are unable to negotiate an equitable arrangement for compensation with the states or local commuter authorities. As you may recall, Congress amended Section 403(d) in the last Amtrak authorization bill by removing the sunset date and establishing specific ridership criteria for these services. Amtrak will continue to provide any information or assistance Congress may need in making further program adjustments to achieve additional savings in these areas.

As you know, the Administration recommends a $68 million capital budget for Amtrak for right-of-way and station improvements and to continue to upgrade the Corporation's rolling stock. Amtrak has a requirement for a capital grant budget of

$148 million, which includes a basic capital program of $98 million plus additional statutory requirements of $50 million. I have submitted a detailed breakdown of our capital request for the record.

Our program includes $50 million for projects that Amtrak has a statutory obligation to fulfill. If these projects were funded separately, our capital requirement could be reduced to a level of $98 million.

The fiscal year 1983 Department of Transportation Appropriations Act also requires that Amtrak reserve $30 million of fiscal year 1983 capital for upgrading of the Shelbyville and Hyannis lines. If we were released from these requirements, we could then apply this 1983 appropriation to our fiscal year 1984 capital needs and further reduce our request by $30 million. If all of these assumptions were achieved, Amtrak could therefore reduce our total capital request to $68 million, which is the amount proposed by the Administration. See Attachment 1 to this statement for a summary of this reconciliation.

Capital investments are by nature discretionary, but there is a price to be paid for each foregone investment opportunity. Selection of a particular capital program is necessarily somewhat arbitrary and a matter of judgment. There are no specific guidelines to follow that guarantee that a particular mix of funded projects is essential to the short-term success of a route. Amtrak's capital request reflects our needs to meet the statutory standards set by Congress and to meet our own goals of improving service to our passengers, while reducing reliance on federal funding. The capital budget must be viewed as a long-term investment in our rail passenger system and improvements to facilities and rolling stock can be correlated to Amtrak's financial and operating performance in addition to the quality of service we provide to the general public. While a reduction in this capital request may be attractive in the short term, deferral of many of these programs will require a larger infusion of funds from some future Congress. Amtrak's fiscal year 1984 capital budget is a request for funds necessary to undertake only those projects which would result in a high return on investment and which we believe would help us operate more efficiently, improve productivity and further reduce operating costs in the future.

LABOR PROTECTION

Amtrak has estimated and budgeted $3 million for labor protection payments in fiscal year 1984 as a result of previous discontinuances of intercity service. Frankly, Amtrak would rather pay people to work than pay labor protection payment. That is why we are seeking a change in the law which would allow Amtrak to offer displaced employees a comparable job with Amtrak in lieu of labor protection payments. Currently, an employee displaced by a discontinuance can opt for labor protection payments instead of a comparable job if the position is more than 30 miles from his place of residence. There are a significant number of employees who currently receive C-2 payments and who are qualified to fill vacant positions within Amtrak beyond the 30-mile range limitation. If Congress were to lift the 30-mile limitation, a substantial portion of our labor protection budget would be used more productively.

DEBT AND INTEREST

Amtrak assumes deferral or forgiveness of the interest expense and payment of Amtrak's debt to the Federal Financing Bank (FFB) in Fiscal Year 1984. The Amtrak Improvement Act of 1981 deferred the requirement to pay interest to the FFB during Fiscal Years 1982 and 1983 and directed the Department of Transportation to recommend how best to relieve Amtrak of the debt. That two-year deferral on paying interest expires at the end of Fiscal Year 1983. If Amtrak is not granted continued legislative relief, the Corporation will be required to pay $200 million to the FFB on October 1, 1983, and $66 million for Fiscal Year 1984 interest payments.

The Congress has asked the Administration for a recommendation on termination of this debt. In Amtrak's view, the most reasonable solution would be to convert the debt to additional shares of preferred stock. This would solve the problem of budget outlays inflated simply by interest payments going from the Department of Transportation to the Department of the Treasury and would fully protect the government's interest in the assets acquired with the loan funds. Alternatively, we would recommend continuation of the existing moratorium on payment of interest.

FREEDOM OF INFORMATION

Amtrak is also seeking statutory relief from the disclosure requirements of the Freedom of Information Act, a statute which was generally designed to facilitate public access to government records and documents. Experience has shown that virtually all information about Amtrak's performance and its compliance with its statutory goals becomes public information and is routinely made available through other channels. Congressional reauthorization and the channels. Congressional reauthorization and the annual appropriation process provide for detailed analysis of the Corporation's past performance, projections and budgets. And recognizing its duty to keep the public well informed, Amtrak regularly disseminates substantial amounts of information to the public.

The majority of Freedom of Information Act requests, however, are for competitive information submitted to Amtrak by third parties who either bid or are interested in bidding on Amtrak contracts. During calendar year 1982, 78 of 95 FOIA requests Amtrak received were for bid information. The FOIA has also been used by litigants who sought to better their position against Amtrak in lawsuits by supplementing the normal discovery process. No business corporation should be required to be subject to the FOIA. Congress expects Amtrak to be businesslike and it should be treated like the business it is.

UNION STATION

As you know, Amtrak has been working with Secretary Dole on funding the redevelopment of Washington Union Station. It is critical that Union Station be returned to use as a rail passenger station as well as a business and transportation center. Currently, nearly four million intercity and commuter passengers pass through Union Station each year. The redevelopment of the station will provide a more convenient facility for our passengers and will improve our prospects for increasing ridership and revenue in the Northeast Corridor.

AUTO-FERRY SERVICE

Amtrak believes that auto-ferry service between the Washington, D.C. area and Central Florida will make a profit, thus reducing the need for federal operating grants for other Amtrak services. We are currently taking steps that would enable us to institute such service by late 1983. We are optimistic about this proposed service because of its proven market potential and because we are satisfied that we can provide the service at minimal cost in view of our operating ability and experience, established marketing and ticketing infrastructure, and existing contract with the operating railroad. Amtrak's Board of Directors has already authorized the Corporation to take steps to inaugurate this service.

HIGH-SPEED TRAINS

Congress has consistently expressed an interest in the development of high-speed rail passenger service in this country and has enacted legislation which has required Amtrak and the Department of Transportation to conduct a series of evaluative studies on specific rail corridors. These studies have shown that the prospective benefits of high-speed rail operations necessarily vary from corridor to corridor. In some corridors such high-speed operations may be sufficiently profitable to attract full private sector funding. In others, the relevant state or local authorities may be willing to finance the project and cover any losses. Where the public benefits of high-speed service seem substantial and where state, local, or private financing is not available, there may be an argument for federal participation. We intend to be open to a variety of approaches to corridor development and welcome experiments in this area.

At the same time, it is important that any corridor development be coordinated. It would be unfortunate if the next decade were to see a number of uncoordinated corridor projects move forward—with varying degrees of engineering and technological expertise and capitalization. This could prove extremely wasteful of scarce resources. It is not difficult to imagine, for instance, the disruption, expense and public incovenience that would result if five separate corridor companies constructed individual lines into Chicago to five separate terminals, using incompatible technologies, with individual reservation systems and no provision for passenger connections from one corridor to another. When references are made to high-speed rail, it is often undefined, therefore, unclear what costs may come into play. Building a 200 mile-per-hour surface transportation system is far more costly than a 79 mile-per-hour conventional rail operation.

As the holder of the exclusive operating franchise on most of the routes that are likely to be considered for development over the next several years, Amtrak has a responsibility to provide this kind of coordination and to ensure that as such high-speed service is developed it is integrated into a strong, interdependent national system. While the method of financing, the technology employed, and even the operating entity may vary from corridor to corridor, we at Amtrak are committed to assuring that any development of high speed corridors is properly coordinated so as to provide efficient, integrated transportation, allowing passengers access to a common source of information, reservations and ticketing, and enabling efficient passenger connections between corridors and between a corridor and an Amtrak service.

As a result of this interest, Amtrak assisted in creating the American High Speed Rail Corporation (AHSRC), a firm which plans to privately finance and construct a 160 mile-per-hour passenger train system in Southern California between Los Angeles and San Diego, utilizing technology now employed on Japan's "Shinkansen" bullet train. In 1981, Amtrak loaned the American High Speed Rail Corporation $750,000 at the market rate to cover start-up costs. Since that time, the AHSRC has secured $500 million of the estimated $2 billion needed to construct the system, from Japanese investors, and is now attempting to secure the remainder.

Amtrak has benefitted from sophisticated marketing information developed by the American High Speed Rail Corporation and fully expects the AHSRC to repay the loan when due in 1984. In addition, we have concluded a license agreement with the AHSRC that will enable Amtrak to share in the profits generated by this new venture. The license agreement will permit the AHSRC to operate passenger trains between Los Angeles and San Diego and provides for an annual base licensing fee to be paid to Amtrak, plus a percentage of the profits. The agreement also makes Amtrak a preferred shareholder in the AHSRC and insures that Amtrak is adequately represented on the AHSRC Board of Directors.

CRITERIA AND PROCEDURES

As you know, Mr. Chairman, the 1981 Amtrak legislation authorized Amtrak to submit to Congress an amendment to the Criteria and Procedures for Making Route and Service Decisions. Amtrak sent an amendment to Congress on February 7, 1983. The draft amendment will take effect at the end of 60 calendar days of continuous session after its submission unless either the House or Senate adopts a resolution of disapproval. The amendment which we proposed on February 7, 1983, would provide a simpler and more clear-cut procedure for Amtrak to make route and service changes, to replace the extremely cumbersome existing process, without significant substantive change. I believe this amendment is fully consistent with the intent of the Amendments to the Rail Passenger Service Act in 1979 and 1981, which have supplanted much of the route and service decision process once followed by Amtrak.

ATTACHMENT

[In millions]

	Amtrak	Administration
Operating and labor protection	$652.0	$614.0
Capital	148.0	68.0
Total	800.0	682.0

RECONCILIATION

Amtrak and the Administration are in agreement that under existing law, the Amtrak operating and labor protection need is $652.0. The Administration budget proposal assumes the following savings from proposed legislation:

403(b) full cost	$27.0
403(d) repeal	9.0
Lump sum labor protection	2.0
Total	38.0

It is agreed that if this legislation is not enacted, the operating and labor protection appropriation would have to be increased from $614.0 to $652.0.

Amtrak and the Administration also agree that $68 million in additional capital funds for Fiscal Year 1984 would be adequate to fund Amtrak's capital program requirements, provided the following actions are approved by the Congress:

1. In Fiscal Year 1983 legislation, the Congress directed that the Atlantic City track reconstruction ($30 million) be funded from the existing NECIP program, and the West Side Connection be financed in the amount of $30 million from Amtrak's capital programs. Amtrak has funded the first $10 million for the West Side Connection in its Fiscal Year 1983 capital program, leaving $20 million to be provided to complete the program in Fiscal Year 1984. If these items are otherwise funded, the capital funding request for Amtrak can be reduced by $50 million to $98 million.

2. In its action on the Fiscal Year 1983 budget, the Congress earmarked Amtrak capital funds for the Shelbyville track reconstuction ($25 million) and Hyannisport track resconstruction ($5 million). If Amtrak is relieved from these earmarkings or other funding is provided, the capital request can be reduced by an additional $30 million to the total of $68 million as requested by the Administration.

In summary, Amtrak's capital request for Fiscal Year 1984 is $148 million, making a total budget request of $800 million. To extent that the capital items are funded from other sources or Amtrak is relieved from earmarked projects for Fiscal Year 1983, Amtrak is prepared to reduce its capital request accordingly.

[The following information was subsequently received for the record:]

QUESTIONS OF THE MAJORITY AND THE ANSWERS THERETO

Question. What do you believe are the actual costs involved in rehabilitating the rail lines serving Shelbyville, Atlantic City, and Cape Cod? What revenue-to-cost ratios are you projecting for these services? Are those services projected to meet the section 404(d) criteria?

Answer. Based on our present available date, we feel it will require $25 million for rehabilitation of the trackage between Cincinnati and Indianapolis. Approximately $41 million will be required to improve the Atlantic City route. A portion of this should be funded by parties other than Amtrak. For example, additional grade crossing protection should be funded by the Federal Highway Administration. Also, station facilities and industrial track switches could be funded by the state. It will require slightly more than $24 million to improve the route between Attleboro and Hyannis.

Amtrak's current projections of the revenue-to-cost ratios and section 404(d) criteria performance for these services are:

Service	Ratio	Section 404(d)
Shelbyville[1] (percent)	[2] 38 to 53	[3] No.
Atlantic City	([4])	([4])
Cape Cod	([5])	([5])

[1] Contemplates two daily roundtrips between Chicago and Cincinnati through Indianapolis. This is a wholly self-contained scenario accounting for only local traffic between Chicage-Cincinnati end-points and includes no effects on other Amtrak services.

[2] Varies over a relatively wide range depending on the ridership base used to make the projection. A projection based on fiscal year 1982 passenger volumes (low end of range) for the current Hossier State service between Chicago and Indianapolis would be 38 percent while a projection based on fiscal year 1981 passenger volumes for the Hoosier State would be 53 percent.

[3] In their joint report to Congress neither Amtrak nor the Department of Transportation could conclude that this service would meet the section 404(d) criteria.

[4] Projections are currently being developed and should be available by June 1, 1983.

[5] Financial projections have not been developed, since Amtrak has only been asked to expand $5 million of fiscal year 1983 appropriation for the rehabilitation of this line and has been directed in the Jobs Bill Conference Report, 98–44, to give priority consideration to an additional $10 million expenditure to bring this trackage to Class III standards.

Question. Two years ago the Senate passed Amtrak legislation that was intended to give Amtrak management greater flexibility by repealing section 404(d) criteria. Would you support such a repeal this year? If not, why not? What if the application of the criteria were limited to new services?

Answer. This 404(d) criteria have served a valuable purpose by setting a standard of cost effectiveness which Amtrak routes must meet. I would not wish to eliminate such standards altogether. I do, however, have considerable doubt as to the utility of the PM/TM criterion. This is a volume standard, not a cost-effectiveness standard, and tells us very little about the efficiency of the train. It would be easy to meet the PM/TM criterion on any train anywhere simply by lowering fares sufficiently.

A far more appropriate criterion for the cost-effectiveness of a train in loss per passenger mile. I would retain this criterion and might indeed tighten it. As you probably know, we have set an internal goal for ourselves of eliminating our systemwide avoidable loss per passenger mile by 1985.

To illustrate the preverse effect of the PM/TM criterion, let me use the example of the Cardinal. The Cardinal serves a relatively low en-route population, and therefore has trouble meeting the PM/TM criterion. However, we have succeeded in tailoring the triweekly operation of the train to bring costs in line with ridership. As a consequence, the Cardinal is a resonably cost-effective train which in the past year helped us achieve our overall revenue to cost goal. There is no economic reason this train should be considered marginal. The reason it requires special legislative dispensation is its PM/TM performance, and in my view this should not matter.

Question. In your prepared testimony, you indicate that Amtrak needs flexibility to make service changes on the 403(d) trains, as well as leverage to negotiate compensation arrangements. PLease explain in further detail why you believe you need this flexibility and leverage.

Answer. First of all, I do not believe that Amtrak should be in the business of providing commuter service. All our efforts are aimed at improving intercity service, which with respect to fare structure, service offerings, equipment design, marketing strategy, cost control, and equipment utilization is an entirely different kind of business from commuter service. Our business is to also provide a national transportation system, not local transit. By historical accident we have been given the responsibility of operating several "Sunset commuter" trains which are in my view anomalies in our system and which could be operated more appropraitely and efficiently by commuter authorities.

Wisely or not, of course, we do have the responsibility to operate these "Sunset" trains, and given that responsibility, I beleive that two legislative changes should be made. First, I believe that continuance of the "Sunset commuters" should be premissed on loss per passenger mile performance rather than PM/TM performance. Second, we need the authority to cease the operation of sunset commuter trains in the event we are unable to negotiate agreements which would enable us fully to cover our short-term avoidable losses.

Question. Amtrak and the Administration are proposing that the law be amended to eliminate the 30 mile limitation on transfers. Mr. Jim Snyder of Rail Labor Executive Association testified that such a change ought to be negotiated by the interested parties. Is the negotiation of this change a viable alternative?

Answer. In 1980, Amtrak attempted to change similar provisions of Title V of the Regional Rail Reorganization Act by suggesting legislative action. On March 10, 1980, Mr. Fred Kroll, then Chairman of the Railway Labor Executive Association, advised Amtrak that such a change should be handled by collective bargaining, just as Mr. Snyder suggests today.

In 1981, Amtrak responded to the RLEA's position by serving formal proposals on all its organizations to change the provisions of Appendix C–2 to eliminate the 30 mile restriction. We met throughout 1981 and 1982 in an attempt to amend the transfer provision in Appendix C–2 through direct negotiation, but ultimately had to withdraw our proposals, without prejudice, because labor was completely unwilling to change the provision by agreement. When we withdrew the proposals, we specifically advised labor that we intended to pursue the change through legislative action, and none of the organizations voiced any objection to that approach.

Question. Amtrak and the Administration are proposing that the law be amended to make it clear that "full crew laws" shall not be enforced with respect to any operations by or on behalf of Amtrak anywhere in the country. What states currently have in effect full crew laws that affect operations? For which tasks do each of these states require Amtrak or the operating railroads to hire employees?

Answer. The states which have full crew laws affecting Amtrak operations are Arizona, California, Oregon, Nebraska, Nevada, North Dakota, Texas, and Wisconsin. These laws usually require firemen and a specified number of additional trainmen, varying with the number of cars in the train, and also provide for baggagemen if baggage cars are carried in the train consist.

Question. Mr. Edward Deets of Central Florida Coach Lines testified that he believes companies like his would fail if Amtrak got into the autotrain business. Do you believe that proposed autotrain service would result in such failures? If so, why do you believe the Federal Government should subsidize such service?

Answer. Close examination reveals that the Central Florida Coach Lines owned and operated by Mr. Deets and the proposed Amtrak auto-ferry offer very distinct and separate sets of services appealing to quite different markets. Specifically there are differences in the following service characteristics based on Amtrak's plans and Central Florida's Auto-Bus literature:

Amtrak plans to operate one northern and one southern terminus in the Lorton, Virginia and Sanford, Florida areas. Auto-Bus provides several pickup and delivery points, namely Waterbury, Conn.; Hazleton, Pa.; Camp Hill, Pa.; Fredericksburg, Va.; Lima, Ohio; Lexington, Ky.; and St. Augustine, Orlando and Cocoa Beach, Florida.

Amtrak will operate an overnight service leaving at about 4 pm and arriving at 9:30 am. Auto-Bus offers daytime only travel over a two day period with two nights spent in motels.

Amtrak will offer a capacity for 500 rail passengers and their autos per trip. Auto-Bus books about 38 riders per trip on a 43 person capacity motor bus.

The Rail Passenger Service Act, as amended, contains the following authorization in Section 305; In order to increase revenues and to better accomplish the purposes of this Act, the Corporation is authorized to modify its services to provide auto-ferry service as a part of the basic passenger services authorized by this Act.

The Corporation is authorized to acquire lease, modify or develop the equipment and facilities required for the efficient provision of mail, express, and auto-ferry service, or to enter into contracts for the provision of such services.

Amtrak's projections of revenues and expenses indicate that its proposed auto-ferry service will make a positive contribution of $4 million to the corporation in the first full year of operation and provide adequate returns to pay off the initial investment within the first two years of full operation. Thus, the auto-ferry service, if approved, will reduce the federal subsidy to Amtrak.

Question. What is the exact date you expect your draft amendment on Route and Service Criteria to take effect?

Answer. Pursuant to the authority contained in Section 404(c)(3)(B) of the rail Passenger Service Act, Amtrak submitted to Congress on February 7, 1983, an amendment to modify Amtrak's Criteria and Procedures for Making Route and Service Decisions. The amendment was published in the House Calendar on February 10, 1983, and in the Senate Calendar on February 24. The amendment will become effective sixty calendar days of continuous session after its submission unless either the Senate or the House adopts a resolution disapproving the proposed amendment.

Question. Amtrak has instituted a training program in emergency evacuation procedures and the use of emergency equipment. Do you intend to require all railroad operating personnel who work on Amtrak equipment to take the training program? If not, why not? Will railroad operating personnel, as well as your own employees, be required to take the training program periodically?

Answer. During fiscal year 1983, Amtrak is providing training programs in Emergency Evacuation and the use of emergency equipment to all Amtrak On-Board and Operating Train Crew personnel, as well as all Operating Train Crew personnel of our contract railroads. Retraining in these programs, as well as courses in first aid, will be given to the same personnel in fiscal year 1984 and subsequent years.

Question. Concern has been expressed regarding Amtrak's decision to increase charges on commuter service between Baltimore, Maryland and Washington, D.C. Could you please provide an explanation of this situation.

Answer. Amtrak does not operate commuter service between Washington and Baltimore. We do serve as a contractor for the State of Maryland to operate two commuter trains in each direction formerly operated by Conrail. Amtrak has previously honored commuter tickets issued by Maryland on our unreserved-seat intercity trains, for which we have been reimbursed by Maryland $2.46 per ride. This amount is less than the regular fare we charge our intercity passengers. Amtrak has the option to redress this disparity by imposing a step-up charge for commuters riding on our intercity trains. Such a charge does not involve a fare increase for riders on the Maryland DOT commuter trains we operate.

QUESTIONS OF THE MINORITY AND THE ANSWERS THERETO

Question. Amtrak has made significant efforts to reduce its operating costs. Would you describe in detail the cost cutting measures which you have taken? What specific plans do you have for continuing to reduce costs?

Answer. The Corporation has imposed tight spending controls which have held down our expenses in virtually every area of our operating budget resulting in reduced personnel cost and train operating expenses.

Between 1980 and 1982, we reduced our work force by over 2,000 employees. Additionally, we reached agreement with the non-operating unions which provides for wage increases substantially lower than those in the recent industry-wide settlements.

Amtrak has also taken over the direct employment of train and engine crews in its Northeast Corridor operation between Washington, D.C., and Boston, Massachusetts. The new agreement provides for payment of engineers on an hourly basis, eliminating a milage-based pay formula developed over 60 years ago in the steam locomotive era. This modification will be phased in over a three-year period in order to soften the impact. The new agreement eliminates arbitraries and other special pay allowances and increased flexibility is gained from rules which allow more efficient scheduling and fewer restrictions on the work an engineer can perform.

1982 was the first year Amtrak's system operated with an all-electric passenger car fleet eliminating the need for steam equipment of the type that has been in use for the last century. All of Amtrak's passenger cars and most of its locomotives are now either new (less than five years old) or totally rebuilt. The capital commitment made by Congress to improve Amtrak's equipment is now paying dividends. This modern fleet, along with improved maintenance, has yielded the best on-time performance ever—nearly 80 percent, surpassing the performance of many other public carriers.

Other cost reductions were achieved by productivity improvements in on-board service, fuel and energy conservation, and across-the-board cost-cutting in the various support and administrative areas. Our headquarters staff was reduced by 25 percent, we consolidated facilities wherever possible, and we reduced our use of outside computer time-sharing cost by bringing a major system in-house.

For the remainder of fiscal year 1983 and fiscal year 1984, Amtrak will continue to seek methods to improve productivity and reduce costs. A Joint Labor/Management Productivity Council has been established and is currently looking into various aspects of Amtrack operations with a final report to be issued in January 1984.

We are also progressing toward the assumption of train and engine crews outside the Northeast Corridor and have established various productivity goals in areas such as fuel, and equipment utilization and availability. We are continuing to consolidate our computer operations in-house and are eliminating the nice-to-have functions at headquarters such as Corporate Library. A renewed cost awareness is spreading across the entire management structure.

Other actions being considered which are discussed elsewhere in this record include the following: Rerouting the San Francisco Zephyr, Amtrak's Chicago-San Francisco service, over the Denver and Rio Grande Railroad would save $1.6 million annually; initiating auto-ferry service between the Washington, DC area and Florida would reduce our deficit by $4 million annually once a full schedule is implemented; and, terminating the New York-Florida trains at Tampa, while continuing to serve the St. Petersburg and Clearwater areas by dedicated connecting buses would save $1.6 million annually.

Question. In explaining Amtrak's efforts to increase revenues, you mention the revenue diversification program. Would you briefly describe this program and how you plan to implement it in the future? How much revenue has been realized to date from this program? How are you ensuring that Federal funds are not being used for these activities?

Answer. First of all, I don't consider that Amtrak is engaged in any diversification program. We are following the standard railroad practice of utilizing our railroad assets to enhance our revenues in ways not inconsistent with their utilization for our primary railroad objectives. Within these limitations, we are involved in several revenue enhancement programs. During fiscal year 1982, $21.1 million was generated from our revenue enhancement efforts.

In the area of real estate, in addition to general and ongoing efforts to improve revenues from tenants, we are undertaking significant efforts to improve our future revenue base.

A program to market develop unused and under-utilized station properties for commercial/revenue generating purposes is being successfully implemented. During the first half of fiscal year 1983 we have completed a comprehensive inventory of owned station properties and an assessment of development potential. We have reached agreement on major joint development projects at Hartford, Connecticut; Harrisburg, Pennsylvania; and Indianapolis, Indiana.

In cooperation with the Federal Railroad Administration, we are developing marketing plans for commercial development at the Baltimore and Newark stations. Both of these stations are being extensively renovated throught the NECIP program and will be available for commercial development in 1983—Baltimore scheduled for July 1983 and Newark scheduled for October 1983.

Early in the fiscal year, we signed an agreement with MCI for the use of our NEC right-of-way between Washingon and New York for the development of a fiber optics telecommunications system. This agreement will save Amtrak the expense we would have incurred otherwise of developing our own fiber optics system for traffic control over that corridor segment—an expense estimated at $9 million—and is expected to save Amtrak $1 million per year in our own communications costs. Amtrak will receive a lease payment of $4.4 million for this arrangement and will be able to sell to others any surplus circuits provided by MCI.

During Fiscal Year 1982 the Corporation entered into its first commercial contract to overhaul and refurbish commuter equipment. This contract involved fifteen commuter cars which were overhauled to specifications furnished by the New York Metropolitan Transportation Authority. Recently, the Corporation participated with four other companies in a New York City Transit Authority (NYCTA) pilot project. Each firm overhauled four R-36 subway cars. We performed the work at our Beech Grove facility, where, in fact, our purpose in undertaking this work is to maintain a stable labor force. Amtrak has also responded to Requests for Quotations issued by the New York City Transit Authority and the Massachusetts Bay Area Transportation Authority. Amtrak was not the low bidder on these contracts, and they were awarded to others. In developing bids for these orders, we are careful to follow the costing methodologies we have reviewed with GAO and Congress and ensure that all costs associated with the orders, including overhead, are covered, plus a reasonable profit.

A concerted effort is being made to lease and/or sell surplus equipment to both commuter agencies and private companies. This is a simple matter of protecting past federal investments.

Antrak is also interested in transit car assembly. We have begun to assemble the first pair of cars built by an Italian concern, Breda Costruzioni Ferroviarie, under a three-year contract. This agreement involves the assembly of 294 cars destined for delivery to the Washington Metropolitan Transportation Authority.

During the remainder of fiscal year 1983 and fiscal year 1984, Amtrak will continue to prusue business opportunities that are consistent with our fundamental passenger transportation mission and that we can pursue on a fair and equal footing with private sector competitors. Among the areas we will explore are the following: Mass transit car assembly, mass transit car overhaul, telecommunications, marketing of selected communications capabilities and computer software packages, equipment leasing and sale, and congeneration at selected sites.

Our revenue enhancement projects are self-supporting. The proceeds from all ventures to date have had a positive financial contribution. They not only have covered their direct costs, but have also contributed their share of overhead costs and produced a profit. This separation has been confirmed by independent auditors, and is a principle that will continue to be followed for all future ventures.

While the need to make capital investments in connection with these projects has not yet arisen, this requirement would also be financed by the proceeds from non-federal sources.

Question. In the 1981 Amtrak legislation, the Corporation was mandated to break even on its food service. Would you please comment on your efforts to reduce food service costs since the passage of that legislation? Are you breaking even on this service?

Answer. We have instituted major changes in our food service which have resulted in significant reductions in the deficit associated with food service operations over fiscal year 1981 deficit figures. Final statistics for fiscal year 1982 indicate that the deficit was reduced by 52 percent over fiscal year 1981. We therefore achieved the 50 percent deficit reduction mandated for fiscal year 1982. We are continuously analyzing our food service operations to further reduce costs and increase revenues without adversely impacting the service level provided to our passengers.

Amtrak has concentrated on improving the quality of food offered on our trains. We have added fresh eggs and pancakes for breakfast, added a fresh sandwich and improved our dinner entrees. We have also replaced the plastic utensils in our diners with stainless steel flatware and added silk flowers to the tables. We are also adding larger convection ovens to our Amcafes and diners which will enable us to further expand our flexibility in our menu content by reducing our present reliance on microwave preparation and its limitations. With these and other changes, we have seen our dining and buffet revenues increase. We are currently refining our computerized labor assignment system to provide the most efficient crew assignments in accordance with our recent labor contracts. This will replace our existing individual crew manual systems and enable us to staff our trains more effectively nationwide and thereby reduce costs. We contracted with an outside agency to review our food service on the trains and used its findings to improve our equipment and procedures for better preparation of the food products we offer. We have begun purchasing standard food items under annual contracts to obtain the lowest price possible. We are tightening our network of crew bases to eliminate overhead and facility costs.

For fiscal year 1983, we are following the direction contained in the House and Senate Appropriations Committee reports (97-764 and 97-546, respectively) relative to attributing not to exceed 10 percent of our transportation revenues to the food and beverage account in light of the fact that such service is an integral and indispensable part of intercity rail passenger service. On that basis, we are breaking even on our food and beverage service.

Question. While you are not explicitly recommending that Congress discontinue Federal funding of the "sunset" commuter trains, you are asking for some ability to negotiate with the authorities concerning operation of these trains. Would you be more specific about your proposal? How would you recommend that the law be amended?

Answer. I believe that two changes are in order. First, I believe that continuance of the "Sunset commuters" should be premised on loss per passenger mile performance rather than PM/TM performance. Second, we need the authority to cease the operation of sunset commuter trains in the event we are unable to negotiate agreements with the commuter agencies which would enable us fully to cover our short-term avoidable losses.

Question. You recommend that the 30-mile limit on job relocations be eliminated. How do you respond to rail labor's argument that it is inappropriate for contractual agreements to be changed by statute? Also, what is your response to labor's questions about what type of job would have to be accepted and whether moving expenses would be covered?

Answer. Labor stated, in past hearings, that Appendix C-2, which was required by statute, should be changed by negotiation. Amtrak tried this approach and was told by the unions they were not agreeable to negotiate on protective agreements required by statute.

We would expect affected employees to accept comparable employment on the Amtrak system. "Comparable" employment would include positions that require similar skills and abilities which the employee possesses or can acquire through additional training; however, we would not expect employees to accept positions which require substantially greater physical effort.

Appendix C-2 currently provides a liberal schedule of remuneration and benefits for employees required to move in order to accept employment, and we do not seek to change those provisions.

Question. As part of your legislative submission, you are requesting an exemption from the Freedom of Information Act. Are there other "quasi-governmental" agencies or corporations which have experienced similar difficulties? How have they been handled?

Answer. Most but not all mixed ownership government corporations created by Congress have been made subject to the Freedom of Information Act, but I cannot speak to the problems they have encountered in operating under that statute. I would like to point out that Amtrak is in several respects different from most such corporations, and because of those differences there is probably less justification for subjecting Amtrak to the Act than exists with the other entities.

One difference has to do with our procurement activities. Amtrak is an operating railroad which owns and must manage hundreds of miles of railroad and substantial support facilities throughout the country. Not surprisingly, we purchase goods and services on a broad scale. Although we are not required to use competitive bids in our procurement process, as a matter of policy we choose to do so in most circumstances. Bidders, particularly those who are not awarded contracts, have learned to use the Freedom of Information Act to obtain commercial information submitted by competing bidders. In deciding whether that information can be disclosed we must contact the parties who submitted it to obtain their views, and they in turn proceed to file a request of their own seeking to get as much proprietary information as possible about their competitors in turn. Three-quarters of our Freedom of Information Act activity last year involved the comptititve bidding process. Because other mixed ownership government corporations tend to have far less procurement activity, I would seriously doubt that they have experienced the same difficulties we have in this area.

Another significant difference is that Amtrak, unlike these other government corporations, is a competitor in the transportation marketplace; in fact, as a result of our activities to enhance our revenues through certain non-railroad activities, we compete in several additional marketplaces. On its face the Freedom of Information Act appears to give any of Amtrak's own competitors the right to request and receive commercially sensitive information which we develop internally. I doubt Congress intended that result when it made Amtrak subject to the Act, and I do not believe that other mixed ownership government corporations run the same risk of exposing their own commercially sensitive information.

Question. Recently Amtrak and the Department of Transportation announced that $70 million in Amtrak funds would be made available for the redevelopment of Union Station. Where did that come from?

Answer. The funding for the Union Station redevelopment is proposed to come first from reprogramming of $33 million previously reserved for the payment of interest to the Federal Financing Bank.

In addition, our current experience indicates that because of slow economic conditions we will have an operating grant savings of $24 to $26 million this year. We plan to allocate these one-time savings to the station project. The remaining $11 million could be derived from the revenue stream generated by the parking garage.

Question. You are proposing Amtrak auto-ferry service to Florida. How much additional cost will be incurred from operation of this service? What are the anticipated revenues? What is the expected revenue-to-cost ratio for this service?

Anwswer. The operation projections for the proposed Amtrak auto-ferry service in the first full year of operation are revenues of $38 million and operating costs of $34 million resulting in a revenue/cost ratio of 112 percent.

Question. In your testimony, you refer to a loan which Amtrak provided to the American High Speed Rail Corporation last year. Some concerns have been raised about the appropriateness of using Federal funds to Amtrak for this purpose. How do you respond to these concerns?

Answer. Amtrak did not use any appropriated Federal funds to make the loan to American High Speed Rail Corportion. The funds to make this loan were generated from profitable corporate development activities which require no Federal funding. The loan is due to be repaid in January 1984. We expect it to be repaid then.

Question. You have submitted proposed changes in Amtrak's route and service criteria. What precipitated these changes? If Congress does not vote to disapprove them, when would these changes become effective?

Answer. On February 7, 1983, I submitted to Congress a draft amendment to Amtrak's Criteria and Procedures for Making Route and Service Decisions. The amendment will become effective sixty calendar days of continuous session after its submission, unless either the Senate or the House adopts a resolution disapproving the proposed amendment. Generally, the proposed changes would streamline the procedures by which Amtrak will make certain route and service changes. In particular, without having to follow the current cumbersome process of soliciting public comments, Amtrak would be able to change service over a route so long as one daily frequency is maintained. The revised Criteria and Procedures would also reflect the extensive amendments to the Rail Passenger Service Act in 1979 and 1981, which have supplanted much of the route and service decision process once followed by Amtrak. The changes we propose are essential in pursuing the goals Congress has prescribed.

Question. An amount of $30 million has been allocated from Northeast Corridor Improvement Project funds to upgrade the corridor between Philadelphia and Atlantic City. What are your projections for the revenue-to-cost ratio with respect to this service?

Answer. We are presently developing the demand estimates for this service, and translating them into the daily frequencies that initially would be operated. Once this is done, we will determine the projected operating costs. Our objective is to devise a breakeven operation. However, we are several weeks away from a firm revenue-to-cost ratio estimate.

Question. Amtrak is requesting $68 million to cover the ongoing capital costs for the basic system. How would you describe the basic goals of your capital budget? What is that request intended to cover?

Answer. Amtrak requested capital funds of $148 million in fiscal year 1984. This is consistent with Department of Transportation's recommendation of $68 million provided that the following takes place:

1. In Fiscal Year 1983 legislation, the Congress directed that the Atlantic City track reconstruction (30 million) be funded from the existing NECIP program, and the Westside Connection be financed in the amount of $30 million from Amtrak's capital programs. Amtrak has funded the first $10 million for the Westside Connection in its Fiscal Year 1983 capital program, leaving $20 million to be provided to

complete the program in Fiscal Year 1984. If these items are otherwise funded, the capital funding request for Amtrak can be reduced by $50 million to $98 million.

2. In its action on the Fiscal Year 1983 budget, the Congress earmarked Amtrak capital funds for the Shelbyville track reconstruction ($25.0 million) and Hyanisport track reconstruction ($5.0 million). If Amtrak is relieved from these earmarkings or other fundings is provided, the capital request can be reduced by an additional $30 million to the total of $68 million as requested by the Administration.

The capital investment program is designed to support achievement of the goals of the Corporation to improve: Financial performance; Productivity; and, Service quality.

In Fiscal Year 1984, the capital request covers funding for the following major program initiatives: Base capital plan; provides funding for capital replacement and improvements at a minimum level close to that required to keep pace with obsolescence, as measured by depreciation charges.

Rolling stock	$36
Maintenance facilities	16
Station/other services	10
Other facilities	10
Maintenance of way	31
Total	$103
Less: Diversification revenues	(5)
Total: Base funded program	98

Other major programs: provides funding for Congressionally-directed projects, including replacement for funds redirected from the Northeast Corridor Improvement Program (NECIP) for the Philadelphia-Atlantic City service.

NECIP redirection	$30
Westside connection	20
Total	50
Total funded programs	148

QUESTION OF SENATOR HEFLIN AND THE ANSWER THERETO

Question. What is the status of your review of the proposal to institute service between Mobile and New Orleans? When do you expect to make a decision on your plans for this service?

Answer. We are currently developing the projected revenues and operating costs of such a service in order to determine what the states' contribution would be under our 403(b) program. We hope to have these figures available by mid-April. Any decision to operate this service will depend on what the projected revenues and costs are, and the willingness of the states to financially support the service.

QUESTION OF SENATOR LAUTENBERG AND THE ANSWER THERETO

Question. New Jersey Transit now reimburses Amtrak at a rate of $3.09 per New Jersey Transit commuter ticket issued. At the end of 1981, that rate was $1.09, which was adjusted. Does Amtrak plan to request further adjustments?

Answer. The $1.09 reimbursement which Amtrak received from Conrail for each multi-ride ticket honored was a carryover from a calculation made almost 15 years ago of the average commuter fare in the New York-Trenton territory. Since adjustments were not made to reflect fare increases during the intervening years, this reimbursement rate did not provide sufficient revenue for carrying these passengers. The new reimbursement agreement more closely reflects current fares and will remain in effect through the end of 1984. If New Jersey Transit increases its commuter fares during the life of the agreement, Amtrak's reimbursement will automatically increase accordingly. When the agreement expires, Amtrak will reconsider a new agreement in light of our experience with the existing agreement.

While this agreement with the New Jersey Transit provides a more equitable share of ticket revenues, Amtrak cannot remain at the $3.09 level indefinitely. At a minimum, this amount must increase to cover inflation in costs that are continually incurred.

Senator Danforth. The next witness is Mr. Thomas Till, of the FRA. Mr. Till, thank you.

STATEMENT OF THOMAS A. TILL, DEPUTY ADMINISTRATOR, FEDERAL RAILROAD ADMINISTRATION, ACCOMPANIED BY WILLIAM LOFTUS, ACTING EXECUTIVE DIRECTOR

Mr. Till. Mr. Chairman, it is a pleasure to be here today.

With me today is William Loftus, the Acting Executive Director of the Federal Railroad Administration, under whose supervision the Amtrak program is managed.

With your permission, I would like to insert my full statement into the record, and read a brief summary for the committee.

Significant progress has been made in transforming Amtrak into a more efficient and businesslike operation in the last few years. Working together, the administration, the Congress, and Amtrak have all made significant contributions to this effort. Most importantly, Federal subsidies to Amtrak have been progressively reduced over the last few years.

For fiscal year 1984, the administration proposes an authorization of $682 million. For fiscal year 1985, we propose to continue the trend of reducing the subsidy with an authorization of $650 million. DOT and Amtrak agree, as I believe Mr. Claytor pointed out, that $682 million in 1984 will cover Amtrak's basic operating expenses, labor protection payments, and Amtrak's planned capital program.

The operating budget at that level will allow Amtrak to continue to operate its current national route system. The capital budget at that level includes $68 million in new appropriations and a $30 million carryover from fiscal year 1983. It does not include any funding from the enactment of a jobs bill.

The Department has gone on record and continues not to favor congressional earmarking for specific trains or routes, as this results in the displacement of other essential components of Amtrak's already modest capital program.

In addition, the administration is proposing amendments to section 403 (b) and (d) of the Rail Passenger Service Act that would increase the State and local subsidy for these commuter- and State-requested services to 100 percent of the long-term avoidable losses of operating the service, plus the associated capital and labor protection costs.

The administration is also proposing to replace the current costly program of labor protection for Amtrak employees with a new program modeled along the lines of the federally funded program instituted for Conrail employees. The Secretary of Transportation and the representatives of Amtrak's employees would agree upon a new program providing total benefits per employee not in excess of $20,000.

That concludes my statement, Mr. Chairman.

Senator Danforth. Thank you very much.

I am interested in your comments about the effect of congressional earmarking. Mr. Claytor went over that ground as well. It is a little bit difficult, is it not, to meet the mandate that Congress has given the system to improve services without increasing costs to the Government, if Congress is forever adding on elements to the system which Amtrak does not foresee?

Mr. Till. Yes, sir. I think that is the case. I think it is also important to point out that the Congress has instituted procedures for adding new services, and for modifying and changing existing services that allow Amtrak the flexibility to put its resources where they can be used most efficiently.

I think Mr. Claytor put it very well when he said that they are trying to give service to the most people for the least cost, and it is very difficult to do that in an environment where particular projects which have not been subjected to that kind of a process and evaluation are imposed upon the Corporation.

Senator Danforth. Do you have any recommendations for us as to what rules of thumb we should adopt?

Mr. Till. I think the Congress would——

Senator Danforth. Should we resist all squeaky wheels?

Mr. Till. That would be a wonderful recommendation to adopt, and I think if we simply live with the procedures that Amtrak has developed under the direction of the Congress, we would all be a lot better off, both in terms of the route and service criteria and the performance criteria for individual trains.

Senator Danforth. Now, the Amtrak Improvement Act directed the Department of Transportation to make recommendations on how to relieve Amtrak of its debt to the Federal Government. Does the Department have any timetable for when those recommendations will be forthcoming?

Mr. Till. I think obviously since you do not see as part of our 1984 authorization request any amount to service the interest which is going to come due, I think we are expecting some kind of relief with regard at least to the interest aspect of that.

In a response to Senator DeConcini concerning that particular legislative directive, the Department indicated that a number of options had been examined, and that we were still discussing them. I am aware that Amtrak has put forward a particular proposal with regard to debt relief, and I think that we have opened a series of discussions with the Amtrak staff concerning that.

I do not think we have any specific recommendations to make at this time, but I do think it is a matter that needs to be resolved. And we will be working toward that.

Senator Danforth. And you are focusing on that?

Mr. Till. Yes, sir.

Senator Danforth. Mr. Till, thank you very much.

[The statement follows:]

STATEMENT OF THOMAS A. TILL, DEPUTY ADMINISTRATION, FEDERAL RAILROAD ADMINISTRATION

Mr. Chairman, and members of the Subcommitee, I am pleased to appear before you today to discuss the Administration's Amtrak legislative proposals.

In 1981, the Administration and Congress began a joint effort to establish Amtrak's operations on a more business-like basis and to reduce its financial dependence on the Federal Government. The Administration recommended, and the Congress agreed to, the first reductions in Amtrak's subsidy since its inception. Congress appropriated $735 million in Fiscal Year 1982, down from $896 million in Fiscal Year 1981. This trend was continued in Fiscal Year 1983 with a further subsidy reduction to $700 million.

Amtrak was also directd to improve the efficiency of its operations to meet a statutory ratio of revenues to costs. In addition, Congress required greater objectivity in route and service decisions through the adoption of criteria governing evaluation of route performance. I am pleased to be able to report that Amtrak is meeting its financial and operational mandate.

Before proceeding with the Administration's proposals, I would like to compliment Graham Claytor and the entire Amtrak management team for meeting its budgetary and operational challenges. Amtrak has:

Reduced its need for Federal funds with no significant reduction in the amount or quality of service provided the public; negotiated a precedent-setting agreement establishing an hourly basis of pay for employees in Northeast Corridor service which will reduce Amtrak's operating costs; improved its revenue to cost ratio from 42 percent in Fiscal Year 1981 to 50 percent in Fiscal Year 1982 in accordance with the statutory mandate; and improved on-time performance throughout the system, and further reduced travel times on its express Metroliner service.

The Administration, mindful of those achievements, is proposing a two-year authorization for Amtrak including including $682 million for Fiscal Year 1984 and $650 million for Fiscal Year 1985.

We have discussed this proposal with Amtrak. DOT and Amtrak agree that the proposed level for Fiscal Year 1984 will cover operating expenses, labor protection payments, and Amtrak's planned capital program. Under this budget Amtrak will be able to continue to operate its current national route system.

The proposed capital budget assumes that the earmarkings for capital projects in the Fiscal Year 1983 Appropriations Act are removed. With a $30 million carryover from Fiscal Year 1983 and $5 million in diversification income, Chairman Claytor agrees that $68 million in new appropriations is sufficient to meet Amtrak's capital needs in Fiscal Year 1984. I would point out in response to the question in your letter, Mr. Chairman, that the proposed capital budget is no premised on the enactment of a jobs bill that might provide additional capital funding for Amtrak.

Since the budget includes the anticipated savings from our proposed legislative changes, and excludes funding for certain capital projects for which funds were previously earmarked by Congress, our proposed authorization is smaller than the authorization proposed by Amtrak. The attached table explains the differences. Mr. Claytor's statement includes a reconciliation of the two budget proposals demonstrating the basis of our agreement.

In response to your request for comments concerning Congressional earmarkings for specific trains and routes, I would note that such actions if implemented would displace scarce capital from Amtrak's already modest program supporting its current system. Actual operation of most of the earmarked service would further drain Amtrak's operating subsidy and threaten its progress in meeting or bettering its 50 percent operating ratio.

The Administration is proposing legislation to implement three policy changes to enhance Amtrak's ability to maintain a national rail passenger system. They are: increasing State and local funding for 403(b) services to an appropriate level; transferring responsibility for funding Amtrak commuter services to State and local transportation; agencies; and changing Amtrak's labor protection program to make it consistent with other publicly funded protection programs.

The Administration is proposing amendments to section 403(b) of the Rail Passenger Service Act that would increase the State and local subsidy for these State-requested services to one hundred percent of the long-term avoidable losses of operating the service, plus the associated capital and labor protection costs. The Federal Government's responsibility for funding Amtrak services should be limited to the basic national system of intercity rail passenger service. Services added to the basic system at the request of State and local governments to serve the needs and interests of their citizens should be funded by the State and local governments requesting the service. We recognize that this change may result in the discontinuance of some routes. However, many of these trains are experiencing low ridership counts. It is up to the States to determine whether the benefits to their citizens outweigh the real costs involved in operating local services.

Amtrak-operated commuter services also pose a continuing problem. For the most part, these services are now operated by Amtrak without financial assistance from State and local governments. Operation of commuter services, however, is a local, rather than a national, responsibility. Accordingly, commuter services operated by Amtrak should not be funded by the Federal Government. These services were identified as commuter operations in the Amtrak Reorganization Act of 1979, which established an orderly procedure and timetable for transferring responsibility for funding these services from Amtrak and the Federal Government to State and local governments. The Rail Passenger Service Act has been amended several times since 1979 to extend the date for transfer of responsibility and finally to eliminate this requirement entirely. The Administration believes that the 1979 Act corrently reflected the appropriate allocation of funding responsibility for these routes. We therefore propose that these commuter services be funded on the same basis as 403(b) trains, with State and local entities providing at least one hundred percent of the long-term avoidable losses of operating the service plus the associated capital and labor protection costs.

Amtrak is presently required to provide certain labor protection arrangements for its employees. The Administration is proposing changes that will make those arrangements consistent with the Conrail labor protection program. A labor protection requirement was included in the Rail Passenger Service Act as enacted in 1970 to protect the interests of employees adversely affected by the transfer of passenger service from the private railroads to Amtrak. Later, this labor protection requirement was extended to Amtrak and its employees. It was anticipated, however, that the costs of these arrangements for Amtrak employees would be paid out of profits of the Corporation. This has not occurred. Instead, labor protection has been paid out of Federal subsidies to Amtrak. We are proposing that the labor protection program for Amtrak employees be revised along the lines of the federally funded programs instituted for Conrail in the Northeast Rail Service Act of 1981.

Under the Administration's proposed legislation, the Secretary of Transportation and the representatives of Amtrak's employees would agree upon a new program of benefits. Funds provided could be used for allowances to employees deprived of employment, reimbursement for moving and retraining expenses, termination allowances, health and welfare insurance premiums, and other appropriate purposes as agreed to by the parties. Total benefits, as with the Conrail program, could not exceed $20,000 per employee. In addition, in keeping with the goal of limiting the cost of labor protection to the Federal Government, Amtrak's responsibility for reimbursing railroads for the costs of protection for railroad employees would be limited to the level of benefits that would be provided to an Amtrak employee with equivalent years of service.

You have also requested a summary of the Department's findings in our study on training of railroad passenger personnel in evacuation procedures and use of emergency equipment. Our study determined that Amtrak has two programs invoving evacuation procedure and emergency equipment training. The "New Hire" program contains a section on first aid, use of emergency equipment, and evacuation procedures. A second program, for all on-board personnel, focuses exclusively on emergency procedures and use of equipment. This program includes a lecture; a film on procedures, evacuation and use of emergency equipment; an examination; use of the fire extinguisher; use of the emergency exits and use of the emergency equipment.

We also conducted a review of regulations of the other modes which determined that the Federal Aviation Administration has extensive procedures involving use of equipment, training for evacuations, and examinations. Likewise, the Coast Guard was found to have extensive evacuation procedures. Federal Highway Administration regulations require the presence of emergency equipment but do not call for emergency training. The Urban Mass Transportation Administration does not have regulations governing emergency procedures, but they are working with the American Public Transit Association to develop guidelines for emergency training.

This completes my statement. I will be happy to answer any questions the Committee may have.

[Attachment]

Fiscal year 1984 Amtrak budget

	Millions
Base:	
Operations—	
Expenses	$1,418
Revenues	769
Operating subsidy	649
Labor Protection	3
Capital	68
Adjustments:	
Raise State payments for 403(b) and 403(d) commuter trains	−36
Replace current labor protection provisions with a program similar to Conrail provisions containing a $20,000 ceiling on benefits	−2
Total budget as adjusted	682

[The following information was subsequently received for the record:]

QUESTIONS OF THE MAJORITY AND THE ANSWER THERETO

AMTRAK—REPEAL OF SECTION 404(d)

Question. Two years ago the Senate passed Amtrak legislation that was intended to give Amtrak management greater flexibility by repealing section 404(d) criteria. Would you support such a repeal this year? If not, why not? What if the application of the criteria were limited to new services?

Answer. The enactment of the objective performance criteria under section 404(d) of the Rail Passenger Service Act represented a clear statement of policy by the Congress—strongly supported by the Administration—that Amtrak should be run a businesslike basis. The Department believes it to be crucial, therefore, that the 404(d) criteria be maintained.

In his testimony, Amtrak's President Claytor supported a change in the discontinuance criteria and indicated a willingness to refine the criteria. We would be happy to work with the committee and Amtrak on refinements he might suggest.

The Administration would object to limiting application of the criteria only to new Amtrak services. It is very important that there be objective criteria governing whether existing services continue.

Question. Amtrak and the Administration are proposing that the law be amended to eliminate the 30 mile limitation on transfers. Mr. Jim Snyder of Rail Labor Executives Association testified that such a change ought to be negotiated by the interested parties. Is the negotiation of this change a viable alternative?

Answer. The Administration is proposing that the existing program of labor protection benefits for Amtrak employees be replaced with a more limited program based on the benefits provided for Conrail employees. At Amtrak's request, the proposal included a provision eliminating the 30 mile limitation on transfers. It is possible that a negotiated solution to this problem could be reached and we would not object to such a procedure. However, the 30 mile limitation is only a small part of a much larger problem. We propose a legislative change to the existing Amtrak labor protection program in order to reduce its cost to the Federal taxpayer while continuing to provide a reasonable and equitable level of protection to Amtrak employees.

Question 3. Does the Department of Transportation have any recommendations on how to improve Amtrak's newly instituted training program in emergency evacuation procedures and the use of emergency equipment? Do you believe that all railroad operating personnel who work on Amtrak equipment ought to be required to take the training program? If not, why not?

Answer. The Amtrak passenger car fleet consists of bi-level "Superliner" cars and single level "Amfleet" or "Heritage" cars. These cars are all equipped with similar emergency equipment and window exits. The Amtrak training program provides instruction on action to be taken in an emergency situation, how to operate the emergency equipment and procedures to follow in using the emergency exits. Additionally, a demonstration and practice in use of the emergency equipment and exists are part of the program.

The working environment inside these passenger cars is relatively easy to understand. We believe the present Amtrak program addresses the major items that may occur in an emergency situation and provides effective instruction on procedures to deal with them. Amtrak has stated that the emergency program will be evaluated and updated as necessary in the future. We concur with the Amtrak approach and do not think that additional training is necessary at this time.

Amtrak has provided the emergency training course to all of their on-board employees who work on the Superliner cars. By the end of fiscal year 1983 all of the Amtrak employees who work on the single level cars will have received the training. Additionally, Amtrak is providing the program to all Amtrak and railroad personnel who work in train and engine service on their trains. Many of the operating personnel have already attended the emergency training program and the balance are scheduled to attend prior to the end of fiscal year 1983. Amtrak has instituted a requirement—which we support—for all Amtrak and railroad personnel to repeat the course in fiscal year 1984 and future years.

QUESTIONS OF THE MINORITY AND THE ANSWERS THERETO

Question. The Administration is requesting $650 million for Amtrak for fiscal year 1985. Upon what is the figure based?

Answer. The Administration has proposed a $650 million authorization as the long-term projection of Amtrak's funding requirements for fiscal year 1985. While we do not have the specific labor protection, capital and operating components of the fiscal year 1985 projection, we believe our legislative proposals for fiscal year 1984 will allow continued operation of the current system in fiscal year 1985 at a level of $650 million.

We have not projected a specific level of capital funding within the $650 million level because of the uncertainties associated with potential revenues from non-passenger activities, and the possible effects on the "Jobs Bill" on Amtrak's future capital needs.

AMTRAK—LABOR PROTECTION

Question. You have proposed a change in the current labor protection program applicable to employees adversely affected by Amtrak service reductions. What is your justification for making this change? How would your proposed program compare with the existing one? How many employees would be affected? How did you arrive at the limit on protection per employee of $20,000?

Answer. The primary reason for the proposed change in the Federally funded Amtrak labor protection program is to bring the level of benefits provided to Amtrak employees into conformance with the level of protection the Federal Government provides to other railroad employees, notably Conrail employees.

Under the current statute, an employee may be entitled to receive benefits for up to six years, including his base period wages and fringe benefits adjusted for general wage increases. Under the Administration's proposal, funds could be provided for reimbursement of moving and retraining expenses, supplemental unemployment benefits, one-time separation allowances, health and welfare benefits, and other purposes as agreed to by the parties. Total benefits for an individual employee, however, could not exceed $20,000.

The Administration's proposal would affect about 100 to 120 employees currently receiving labor protection payments. The $20,000 limit per employee is consistent with provisions of the Milwaukee, Conrail and Rock Island labor protection programs.

AMTRAK 403(b) AND 403(d) CHANGES

Question. You are also recommending that the states and localities cover the full costs of operating the state-supported and commuter trains. How do you respond to the concern that the state legislatures will not have time to adjust their budgets in response to this proposal? Would you support some transition period to an increased non-Federal share?

Answer. State transportation authorities were informed of the content and financial impact of the Administration's proposals in February of this year. We believe that this early notification will enable the States and Amtrak to work out the funding details associated with the enactment of our proposal.

I believe that the time to initiate this proposal is now, as it will strengthen the fiscal base of the system by focusing limited Federal subsidies on national services. The Administration is pledged to the continuation of the national intercity passenger system, but we also must reduce Federal spending.

A transition period could be workable, too. If, for example, the State's contribution were increased to 70 percent in fiscal year 1985 and were increased in 5 percent annual increments thereafter (that is, to 75 percent in fiscal year 1986, to 80 percent in fiscal year 1987, etc.), the increase would be so gradual that States and localities could adjust with relative ease, yet they would eventually bear their appropriate share of the cost.

OUTSTANDING DEBT

Question. Amtrak has suggested as a remedy to the problem of its debt to the Federal Financing Bank that it issue preferred stock to the Federal Government in the amount of the debt. What is your view of this proposal?

Answer. As initially presented, Amtrak's proposal to provide stock to the FFB would needlessly split executive branch oversight of Amtrak between FFB and the

Department. FRA and Amtrak have worked out modifications to Amtrak's proposal, and Amtrak will provide the modified language that corrects the problem.

EMERGENCY TRAINING

Question. The Department recently submitted to Congress a report on emergency training of on-board passenger train personnel. While you detailed the programs available, you made no specific evaluation of their quality. Is there any additional training that you might recommend?

Answer. The Amtrak passenger car fleet consists of bi-level "Superliner" cars and single level "Amfleet" or "Heritage" cars. These cars are all equipped with similar emergency equipment and window exits. The Amtrak training program provides instruction on action to be taken in an emergency situation, how to operate the emergency equipment and procedures to follow in using the emergency exits. Additionally, a demonstration and practice in use of the emergency equipment and exits is part of the program.

The working environment inside these passenger cars is relatively easy to understand. We believe the present Amtrak program addresses the major items that may occur in an emergency situation and provides effective instruction on procedures to deal with them. Amtrak has stated that the emergency program will be evaluated and updated as necessary in the future and that proper training will continue to be provided. We concur with the Amtrak approach.

ATLANTIC CITY CORRIDOR

Question. An amount of $30 million has been allocated from Northeast Corridor Improvement Project funds for the upgrading of the corridor between Atlantic City and Philadelphia. How will this earmarking affect the completion of other portions of the Project?

Answer. We have asked the Appropriations Committees of both Houses of Congress to relieve us of the requirement to fund the Atlantic City to Philadelphia corridor. We do not think we should be required to eliminate needed work on the Northeast Corridor mainline to do the Atlantic City corridor.

If the requested relief is not forthcoming, however, we will ask Amtrak to decide which construction projects will be dropped from the NECIP. No final decisions have been made as to how to change the program.

QUESTIONS OF SENATOR LAUTENBERG AND THE ANSWERS THERETO

Question. In discussing your proposal regarding the funding of Amtrak commuter service, you refer to those trains, including the New York to Philadelphia "Clocker" which serves my State, as a "local responsibility." However, these trains originate in Philadelphia or New York and thus strike me as intercity/interstate service. How much of this service is, in fact, intercity and how much local, and what is the basis for determining that?

Response. The Rail Passenger Service Act defines commuter service as "rail passenger service operated in metropolitan and suburban areas usually characterized by reduced fare, multiple ride and commutation tickets and by morning and evening peak period operations." (45 U.S.C. 502)

These Philadelphia-New York trains, the "Clockers," carry commuters using multiple ride, reduced fare tickets in morning and evening peak-period service between New York City and Philadelphia. Although the "Clockers" provide intercity service along the route from Philadelphia through New Jersey to New York City, they are commuter trains which we believe to be a local responsibility.

Question. Should your position on this matter of commuter trains prevail—which I hope it will not—how would you propose to divide the "local responsibility" between New Jersey, New York, and Pennsylvania?

Response. I would suggest that the States whose residents benefit from the service agree on allocation formula. This issue has been addressed successfully by New York and Connecticut on the New Haven line. A similar solution would seem possible for these Philadelphia-New Jersey-New York trains.

Question. You indicate that 403(d) trains should be funded as 403(b) trains, which represent state-requested service additions to the basic Amtrak system. Does this not ignore the fact that the New York/Philadelphia train was an original part of the Amtrak system?

Response. The Administration's proposal does not ignore the fact that the trains were a part of the original system. The proposal is based on the conclusion that they are commuter services and their inclusion in Amtrak's initial system does not legislatively or operationally exclude them from the policy that local authorities or States should bear the funding responsibility for such services while Amtrak and the Federal taxpayer bear the funding burden for regular intercity rail passenger services.

Senator **DANFORTH**. The next witness is James R. Snyder, chairman, Legislative Committee, Railway Labor Executive Association.

Mr. Snyder, it is a pleasure to see you so many times in the same day.

STATEMENT OF JAMES R. SNYDER, CHAIRMAN, LEGISLATIVE COMMITTEE, RAILWAY LABOR EXECUTIVE ASSOCIATION, ACCOMPANIED BY LARRY WOTASZAK, VICE PRESIDENT, UNITED TRANSPORTATION UNION

Mr. **SNYDER**. Thank you, Mr. Chairman.

Off the record, I wish to compliment you on a very fine statement over there this morning. I hope I can do just half as well before your Committee as you have done before the Committee over there this morning on some very important legislation.

It is my pleasure to be here on behalf of all the railroad brotherhoods, to appear, and we thank you for the invitation. It is also my pleasure to have Mr. Larry Wotaszak, who is vice president of the United Transportation Union. He is filling in for Mr. Bill Mahoney, who we regret very much cannot be here this afternoon because of illness.

In accordance with the committee's request, I have a brief statement which I will read, and I would like to have our full statement inserted into the record.

Senator **DANFORTH**. Fine.

Mr. **SNYDER**. It is encouraging that the administration is not suggesting that the Amtrak be abolished. Maybe this new position indicates a recognition of Amtrak's record during the past year.

Amtrak's 1984 budget request of $649.1 million is below its 1983 budget figure, yet the performance level has improved. Passenger complaints have been reduced substantially, and Amtrak's ontime performance has been excellent.

As Chairman Packwood noted during the February storm, everything in the northeast was shut down except Amtrak.

Amtrak has performed well because its employees are performing well. However, in reward for their dedication and service, Amtrak and the administration are now asking that Amtrak's employee protection obligations be reduced dramatically.

Section 6 of Amtrak's draft legislation would amend section 405(c) of the Rail Passenger Service Act. It is our understanding that the administration does not want to simply amend section 405(c). Rather, it wishes to repeal that entire section and substitute protections similar to those found in title 7 of the 3R Act.

While Amtrak's draft legislation does not encompass a repeal of section 405(c), it has indicated that it supports the administration's request.

Rail labor opposes repeal of section 405 and the modification of employee protection benefits which are contained in the employee protection contract negotiated between Amtrak and the representatives of its employees at the direction of the Congress.

Nothing offered thus far by the administration nor Amtrak justifies the elimination of the contract rights of the employees. Congress allowed the interested parties to negotiate the form of labor protection to which effect that Amtrak employees would be entitled and the contract containing the so-called appendix C-2 conditions which represent the agreement that rail labor and Amtrak reached.

Amtrak, however, now asks this Congress to rewrite that contract by removing certain of its provisions, for example, the 30-mile limitation on transfers. The administration seeks to abolish the Amtrak employee protection contract altogether, and to substitute for it the provisions of section 701 of the 3R Act. Amtrak owes its existence in large part to the railroad labor unions and their members who consistently have fought for Amtrak's survival before the Congress and by various forms of economic sacrifices made in the collective bargaining agreements.

Today, when Amtrak employees should be sharing in Amtrak's relative success, the administration and Amtrak seek further sacrifices from them. Rail labor vigorously opposes actions which eliminate the contract rights of Amtrak employees and which needlessly penalize employees for their loyal support of Amtrak for a supposed gain of a mere $2 million a year.

The appendix C-2 contract provides protection payments for the employee who declines to fill the vacancy which is more than 30 miles from his place of residence. Amtrak would have the Congress relieve it of that contract provision. Amtrak's system spans the Nation. Without the 30-mile limitation, Amtrak could force an employee to move from one coast to the other or risk the forfeiture of his protective benefits. That employee would likely be near the bottom of the roster on which he would be placed, and would be subject to moving across the country again in a short time.

This unrestricted right to transfer will not impact the employees only, for such action would also disrupt their family lives. Many Amtrak employees have spouses who are employed. Forcing Amtrak employees to relocate also forces the spouses to sacrifice their position and benefits, and most likely result in mid-school-year relocations for their children.

Amtrak's proposal is silent as to the nature of jobs to which the employee could be transferred. Could Amtrak transfer a clerk to a position in another craft, such as a trainman position? If transfers are restricted to the same craft, could Amtrak transfer an accountant to a vacant messenger's job? Could Amtrak transfer an employee in a high salary bracket desk job to a much lower blue collar salary or classification?

These questions are crucial to any consideration of the effects of the amendments on the employees.

State full crew laws also are being attacked in both Amtrak and administration draft legislation. Section 7 of the Amtrak proposal is directed to relieve the impact of its obligation to abide by full crew laws in effect in some 11 States.

Such an act, of course, would subvert the States' rights to regulate the individual transportation system as well as adding to the unemployment rolls. Each State which has enacted the full crew law has done so after an investigation into its transportation problems and the requirements of that State.

Certainly the Congress should not take such a significant legislative step in order to save the proposed $750,000 which we are told is all the savings which Amtrak could expect from this proposal. If Amtrak finds these laws are harmful, they should take its case to the individual State to obtain relief.

Also suggested were the repeal of section 403 (b) and (d) of the Rail Passenger Service Act. Such action, Rail Labor believes, would be counterproductive. Any State may request institution or retention of rail service under section 403(b), provide the State shares the cost of the service. The administration's proposal to curtail this form of support occurs at a time when most State legislatures are out of session and would be unable to continue 403(b) service even if they could afford to do so.

Furthermore, affected employees will lose their jobs, and thus turn to Amtrak for protection benefits, if the administration proposal is adopted.

What little the Government may save from termination of the program would be offset by employee protection obligations unless the administration is also successful in eliminating section 405.

The repeal of section 403(d) would be a futile gesture for if Amtrak does not provide this computer service, the States will and would then apply for funding under the Urban Mass Transit Act. The Government would fund the commuter operation one way or the other. Since Amtrak currently is operating the service efficiently, it is unwarranted to alter the structure of the service.

In closing, Rail Labor urges Congress to reject Amtrak and administration proposals, for neither has justified their efforts to destroy the Amtrak employees' contract rights by statute.

Thank you for the opportunity to present our views on this matter.

Mr. Chairman, a footnote here. I just got in on part of Mr. Claytor's testimony here. He is my old boss, you know, at the Southern Railway. That is where I come from, the Southern Railway. I want to congratulate him and his staff for doing a good job.

But as we have testified here, I have been around, and I feel like I am a part of Amtrak, because I was here when it was first adopted, and the labor protection was very carefully worked out between the parties. They have been working very successfully over the years, and now, while they might need a little adjustment here or there, I think the parties should do it instead of coming to the Congress and asking you to do it now.

But anyway, we have outlined our position on this.

Thank you very much.

Senator DANFORTH. His view is that while changes might save only a couple of million dollars in 1 year, they would have the effect of freeing up Amtrak to make more businesslike decisions with respect to where the trains run.

Would you like to comment on that?

Mr. SNYDER. Well, as I pointed out in my testimony, such a small amount goes to the employee protection, and if any of these are adopted, the administration proposal, it could cost you more in the long run and also deteriorate.

One thing that has not been brought out here is the safe operation of your trains.

Senator **DANFORTH**. Is the safety retraining?

Mr. **SNYDER**. I say it could affect the operation of your trains through safety. That has not been brought out here. The safety is affected when you reduce personnel and all.

Senator **DANFORTH**. All right. Thank you, sir.

Senator Lautenberg.

Senator **LAUTENBERG**. Thank you, Mr. Chairman, for permitting me to participate in a subcommittee of which I am not a member. I am very interested in the subject, as you can tell, coming from New Jersey. Mr. Snyder and I have met before, and we are probably going to agree on more things than perhaps, Mr. Chairman, you and I might.

Thank you very much. No questions.

Senator **DANFORTH**. Thank you, Senator Lautenberg.

[The statement follows:]

STATEMENT OF JAMES R. SNYDER, CHAIRMAN, LEGISLATIVE COMMITTEE RAILWAY LABOR EXECUTIVES' ASSOCIATION

My name is James R. Snyder. I am the Chairman of the Legislative Committee of the Railway Labor Executives' Association. My office is located at the Railway Labor Building, 400 First Street, N.W., Washington, D.C. Accompanying me today is Mr. William G. Mahoney, counsel to the RLEA. On behalf of the nation's railroad employees whom we represent, I would like to convey our appreciation for this opportunity to present to you our views of the current Administration and Amtrak proposals to revise Amtrak's labor protection obligations.

The Railway Labor Executives' Association is an unincorporated association with which are affiliated the chief executive officers of all of the standard national and international railway labor unions in the United States. The organizations whose chief executive officers are members of the RLEA follows:

American Railway & Airway Supervisors Association; Division of BRAC; American Train Dispatchers Association, Brotherhood of Locomotive Engineers, Brotherhood of Maintenance of Way Employees, Brotherhood of Railroad Signalmen, Brotherhood Railway Carmen of the United States and Canada, Brotherhood of Railway, Airline & Streamship Clerks, Hotel & Restaurant Employees and Bartenders International Union, International Brotherhood of Boilermakers & Blacksmiths, International Brotherhood of Electrical Workers, International Brotherhood of Firemen & Oilers, International Longshoremen's Association International Organization of Masters, Mates & Pilots of America, National Marine Engineers' Beneficial Association Railroad Yardmasters of America, Sheet Metal Workers' International Association, Seafarers International Union of North America, Transport Workers Union of America, United Transportation Union.

As a prelude to our discussion of the Administration's efforts to amend Amtrak's labor protection responsibilities, we note that it is encouraging that the Administration is not now suggesting, as in the past, that Amtrak be abolished. Although the Administration seeks amendments to the Rail Passenger Service Act, it is not continuing its attempts to dissolve this country's sixth largest intercity passenger carrier. Perhaps this move by the Administration reflects a recognition of Amtrak's track record during the past year. It is noteworthy that Amtrak's 1984 budget request of $649.1 million is below its 1983 budget figure, yet its performance level is on the upswing. Passenger complaints have been reduced substantially and Amtrak's on-time performance has been superb. As Chairman Packwood noted during the February winter storm, everything in the Northeast was shut-down except Amtrak. Amtrak has performed well because its employees are performing well. However, in reward for their dedicated service, Amtrak and the Administration are now asking that Amtrak's employee protection obligations be altered dramatically. We appear here to illustrate to you the inappropriateness and inequities of Amtrak's and the Administration's positions.

Section 6 of Amtrak's draft legislation would amend Section 405(c) of the Rail Passenger Service Act. It is our understanding that the Administration does not want to simply amend Section 405(c); rather, it wishes to repeal that entire section and substitute for it protections similar to those found in Title VII of the 3R Act. While Amtrak's draft legislation does not encompass a repeal of Section 405(c), it has indicated that it supports the Administration's request.

Rail labor is disheartened by the suggestion of the repeal of Section 405 and opposes this modification to employees' protection benefits since it clearly would abrogate the employee protection contract negotiated between Amtrak and the representatives of its employees at the discretion of the Congress.

When Congress passed the Transportation Act of 1958, it, in effect, encouraged railroads to downgrade and discontinue rail passenger service. Following the enactment of that legislation, the railroads utilized that authority to such an extent that Congress was forced in 1971 to act expeditiously to rescue the nation's remaining, mostly dilapidated, rail passenger service. The result of that Congressional effort was the creation of Amtrak, but as a necessary corollary to that action, many more passenger trains were immediately discontinued. Recognizing the concomitant effects of its actions, Congress enacted Section 405 of the Rail Passenger Service Act to protect the interest of rail employees affected by the institution of the Amtrak system.

Congress, through the passage of the Rail Passenger Service Act, allowed the interested parties to negotitate the form of labor protection to which affected Amtrak employees would be entitled, and the so-called Appendix C-2 conditions represents the agreement which rail labor and Amtrak reached. Amtrak, however, now asks this Congress to substantially downgrade, even to the point of deleting, major portions of the Appendix C-2 agreement by eliminating the 30-mile limitation on transfers. The Administration seeks to abolish the Amtrak employee protection contract altogether and to substitute for it the provisions of Section 701 of the 3R Act.

What the Administration and Amtrak repeatedly ignore is that Amtrak owes its existence today in large part to the railroad labor unions and their members who consistently have fought for Amtrak's survival before the Congress and by various forms of economic sacrifices in thier collective-bargaining agreements. Today, when the employees should be sharing in Amtrak's relative success, the Administration and Amtrak seek further sacrifices from Amtrak employees. Rail labor cannot and will not support an action which is in derogation of the rights of Amtrak's employees and which needlessly penalizes these individuals for their loyal support of their employer. To repeal Section 405 would only result in detrimental effects for all concerned, for it can only lead to a a decline in employee morale and efficiency in order to gain in economic terms a mere $2 million.

The so-called Appendix C-2 contract executed pursuant to the command of Section 405(c) currently provides protection payments for an employee who declines to fill a vacancy which is more than 30 miles from his place of residence. Amtrak states that 100 employees now receiving labor protection payments are qualified to fill positions on Amtrak beyond that 30-mile limitation, and the cost of protecting these employees is about $2 million. To reduce that monetary obligation, Amtrak asks Congress to require employees deprived of employment to choose among three options: (1) transfer to any bona fide vacancy for which that employee is qualified no matter what distance involved; (2) accept voluntary furlough; or (3) take a lump sum separation allowance. Amtrak's suggestion, however, must be rejected for it fails to consider or take into account a number of critical factors.

For instance, Amtrak's system spans the nation. Without the 30-mile limitation, Amtrak could force its employees to move from one coast to the other or risk the forfeiture of their protective benefits. That employee would likely be at or near the bottom of the roster on which he was placed and could be subject to moving across the country again in a short time. This unrestricted right to transfer will not impact the employees only, for such actions also would disrupt their families' lives. Many Amtrak employees have spouses who also are employed. Forcing Amtrak employees to relocate also forces their spouses to sacrifice their positions and benefits and, most likely, would result in mid-school year relocations for their children. Also, it should be noted that Amtrak's amendment contains no mention of moving expense reimbursement for those employees who must relocate.

Moreover, Amtrak's proposal is silent as to the nature of jobs to which the employee could be transferred. As you are well aware, there are separate crafts or classes represented on the Amtrak system. We are only left with questions after reading Amtrak's submission as to what type of transfer could be effectuated by this amendment. Could Amtrak transfer a clerk to a position in another craft such as a trainman's position? If transfers are restricted to the same craft, could Amtrak transfer an accountant to a vacant messenger position? Could Amtrak transfer an employee in a high salary bracket desk job to a much lower blue collar salary classification? We pose these questions since they are crucial to any consideration of the effects of the amendments on employees; Amtrak, however, thus far has provided no answers. Again, rail labor must oppose any provision which unjustifiedly deprives employees of their current statutorily protected contract benefits.

State full crew laws also are being attacked in Amtrak's and the Administration's draft legislation. Section 7 of Amtrak's proposal is directed toward relieving Amtrak of its obligation to abide by full crew laws in effect in some eleven states. Such an action, of course, would subvert the states' rights to regulate their individual transportation systems as well as adding to the unemployment rolls.

Each state which has enacted a full crew law has done so after an investigation into its transportation problems and the requirements of that state. In analyzing the needs of their citizenries, these states have made a determination that a full crew law would resolve certain of their transportation problems. Clearly, it is within a state's right to create laws to protect the interests of its citizens; Congress, therefore, should not interfere in the states' regulation of their transportation industries. Certainly, the Congress should not take as significant a legislative step in order to save a proposed $750,000 which is, we are told, all the savings which Amtrak could expect from this proposed provision of law. If Amtrak finds these laws so egregious, it should take its case to the individual states to obtain relief.

We understand that the Administration also will propose to Congress the repeal of Sections 403(b) and (d) of the Rail Passenger Service Act. Rail labor believes that such actions would be counterproductive as they would harm the industry rather than aid it.

Section 403(b) creates a program for state supported rail passenger service. Any state may request the institution or retention of a rail service provided that the states share in the costs of the operation of that service. Nine states, including California, New York, Michigan, and Minnesota, have availed themselves of the benefits of this program. The Administration's proposal effectively will curtail all service operated under this program for the states cannot afford to carry the full costs of these services without substantial financial assistance.

If for no other reason, the Administration's suggestion should be rejected because it is presented at a time when most state legislatures are not in session and therefore will be unable to continue the 403(b) service even if they could afford to do so. Rail labor sees no public or private benefit in Amtrak's proposal, therefore, it must object to any action Congress would take to repeal Section 403(b).

Furthermore, if these services disappear, affected employees will lose their jobs and will turn to Amtrak for protection benefits to which they are entitled under Appendix C-2 or even Section 701, if the Administration proposal is adopted. What little the Government may save in terminating this program will be offset by employee protection obligations under Appendix C-2 or Section 701-type protections. It makes far more sense for Amtrak to spend its monies providing useful services for the public and jobs for employees.

In another step which the Administration perceives as being cost effective, it requests that Congress repeal Section 403(d) of the Rail Passenger Service Act. Rail labor views this proposal as a futile gesture for, in essence, the Administration's suggestion merely transfers funds out of one government coffer rather than another to rail commuter service.

As Congress is well aware, Amtrak provides a limited amount of commuter service. All Administrations have attempted to rid Amtrak of these commuter trains; however, those efforts have always been justifiably unsuccessful. If Amtrak were not providing these services, that obligation would fall on the states. These states then would turn to Congress and the Administration for funding under the Urban Mass Transportation Act. To transfer this responsibility to the states would necessarily lead to the development of new or expanded state commuter authorities. The start-up or incremental costs for such projects would be expensive, and states would encounter the additional problem of finding experienced people to operate the authority. Since Amtrak currently is running these commuter services in an efficient manner, it would be far better to leave these commuter trains under the jurisdiction of Amtrak.

No commuter train operates profitably; subsidies would have to be provided by some governmental source. The federal government may choose to supply those funds directly to Amtrak to operate the commuter service or it may select to provide states with the requisite funding under UMTA. Rail labor believes it unwarranted to disturb an efficient mode of transportation just to alleviate an Amtrak budgetary problem and increase to an equal extent the UMTA financial burden.

The Chairman has asked that I comment on recent efforts to increase Amtrak's labor and management productivity and on the DOT's March 1 study on evacuation procedures. It is may understanding that the evacuation procedures established after the rail accident in California are receiving a good response. Rail labor has formed a council with Amtrak management to study, discuss, and implement amtrak productivity matters and procedures. It is too early to furnish you with information about the effectiveness of this council; however, rail labor has high expectations for its usefulness.

In closing rail labor urges Congress to reject Amtrak's and the Administration's proposals for neither has justified their efforts to decimate the employees' contract rights through statutory fiat.

Thank you again for this opportunity to present our views on this matter.

QUESTIONS OF THE COMMITTEE AND THE ANSWERS THERETO

RAILWAY LABOR EXECUTIVES' ASSOCIATION,
Washington, D.C., March 31, 1983

Hon. JOHN C. DANFORTH,
Chairman, Service Transporation Subcommittee, Committee of Commerce, Science and Transportation, Washington, D.C.

DEAR CHAIRMAN DANFORTH: This is in response to your letter of March 25, 1983, in which you requested my response to five (5) questions. I respectfully submit herewith my responses to those questions.

Question No. 1: Mr. Till of the Federal Railroad Administration testified that when Amtrak's labor protection program was established it was anticipated that it would be paid for out of Amtrak's profits. As it has worked out, the Federal Government has paid for the program. Why do you believe this program should not be revised along the lines of the other federally funded programs recently instituted for Conrail and Rock Island railroad employees? (Republican Committee Members)

You have expressed your opposition to the Administration's proposal to change the current labor protection program for those adversely affected by Amtrak service reductions, stating that such a proposal nullifies an existing contractual arrangement. How could you compare Amtrak with other entities—most notably Conrail—for which Congress saw fit to impose labor protection arrangments by statute? (Democratic Committee Members)

Answer. The above set forth questions are of similar nature and will be answered jointly. In discussing the employee protection program which has been in effect on Amtrak since 1971, it must be borne in mind that the Congress was well aware that the precipitous deterioration of the condition of the nation's rail passenger service was due in part to its enactment of the Transportation Act of 1958 which provided the railroad industry with a virtual carte blanche to deteriorate and destroy rail passenger service. The Congress also realized that at the moment of Amtrak's creation additional hundreds of passenger trains would be eliminated thereby depriving thousands of employees of their livelihoods and that Amtrak employees being railroad employees should receive the same protections that other railroad employees had received from the inception of the Transportation Act of 1940 in abandonment cases. As you know, that protection was strengthened in Congress' enactment of the Staggers Rail Act. In Section 405 of the Rail Passenger Service Act, Congress did not provide a specific formula for the protection of employees, but rather, required railroads to provide fair and equitable arrangements to protect the interests of employees affected by the discontinuance of intercity rail passenger service and set forth a series of guides as to what should be contained in that protective formula and concluded with the requirement that the protective arrangements evolved should "in no event provide benefits less than those estblished pursuant to Section 5(2)(f) of the Interstate Commerce Act." The Congress then required that upon commencement of its operations these requirements should apply to Amtrak and its employees.

Negotiations were undertaken between the railroads and the labor organizations to determine the details of the "fair and equitable arrangement." The negotiations were unsuccessful and on April 15, 1971, President Nixon's Secretary of Labor, Mr. Hodgson, issued what has become known as the Appendix C-1 conditions. Thereafter, negotiations were undertaken with representative of Amtrak, which negotiations were successfull and a contract was executed by Amtrak and the representatives of its employees containing substantially the same protective arrangement as that designed by Secretary Hodgson. This contract was then certified by the Secretary of Labor as providing the fair and equitable protection required by Section 405

It can readily be seen, therefore, that here we are dealing with a formula designed by Secretary of Labor Hodgson which was later incorporated into a contract between Amtrak and its employees' unions and then certified by secretary Hodgson.

It was designed to give the same protection to railroad employees who are affected by discontinuances or abandonments of passenger service as is provided railroad employees who are similarly affected by discontinuances or abandonments of freight service.

I frankly do not understand Mr. Till's testimony that anyone ever anticipated that the cost of Appendix C-2 protection "would be paid for out of Amtrak's profits" because, to my recollection—and I worked very closely with members of this Committee and other Committees during the formation of the Rail Passenger Service Act—no one ever anticipated that Amtrak would ever make a profit. Indeed, at the time the Act was signed into law, it was the opinion of many observers both in and out of the Congress that Amtrak would not last two years.

It was Congress' decision to provide employees affected by discontinuance or abandonment of intercity rail passenger service the same protection as employees received for discontinuance or abandonment of interstate freight service. In the intervening years, nothing has changed to justify treating railroad passenger employees in a manner inferior to that by which railroad freight employees are treated.

One cannot compare Amtrak employee protection with Conrail employee protection. In the first place, the protection originally afforded the Conrail employees was far superior and far more expensive than that which has ever been afforded Amtrak employees. The repeal of that protection and its substitution by the so-called Section 701 protection was undertaken in an effort to assist in reconstructing Conrail into a viable privately-owned railroad capable of adequately serving the public without Government assistance. From the outset, everyone I ever spoke to or heard from assumed that Amtrak would never be in that position, and that the protection these employees should have should be the same as received by their brother and sister employees on private railroads.

Question No. 2. During the hearing, you testified that changes in labor protection, such as the elimination of the 30 mile limitation on transfers, ought to be negotiated by the interested parties. Is the negotiation of such changes a viable alternative? (Republican Committee Members)

You also are opposed to Amtrak's proposal to remove the limits on the distance beyond which an employee need not take a job somewhere else in the Amtrak system. Could you live with an alternative proposal which would increase the limit above 30 miles? (Democratic Committee Members)

Answer. The original contract which contains the Appendix C-2 protection is a negotiated document. In the railroad industry, modifications of executed contracts are negotiated by the parties. Negotiation is always a viable alternative to administratively or legislatively imposed provisions.

The employees and their representatives do oppose a change in the 30 mile limitation and I explained our reasons therefore in my prepared testimony. However, we would be willing to discuss with Amtrak the possibility of modifying that provision. It would be impossible to state in the abstract whether we could "live with an alternative proposal which increase the limit above 30 miles." For example, it all depends on how much above 30 miles it would be increased as well as the type of job to which one would have to exercise that obligation to move and so forth.

Question No. 3. Amtrak instituted an extensive training program in emergency evacuation procedures and the use of emergency equipment as the result of a fatal fire in an Amtrak passenger car last June in California. Do you believe that all railroad operation personnel who work on Amtrak equipment ought to be required to take the training program? If not, why not? Should railroad operating personnel, as well as Amtrak employees, be required to take the training program periodically? (Republican Committee Members)

Answer. As of the date of this reply, I have been unable to secure sufficient information from Amtrak to determine the scope or extent of the "extensive training program" referred to in the question. I do believe that employees who perform their work in the passenger cars of trains should be trained in emergency evacuation procedures and the use of emergency equipment appropriate for use by individual employees such as fire extinguishers. How far beyond this type of training an employee should be compelled to undergo I am not as yet prepared to say. As soon as I have obtained the detailed information from Amtrak on its training program, I will be happy to respond more fully to the question.

Respectfully submitted,

James R. Snyder,
Chairman,
Legislative Committee.

Senator **Danforth**. The next witness is Barrett Williams, National Association of Railroad Passengers.

Go ahead, Mr. Williams.

STATEMENT OF BARRETT M. WILLIAMS, ASSISTANT DIRECTOR, NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

Mr. **Williams**. Thank you.

My association represents the users of Amtrak and public transportation, and I should add that we are funded solely by our membership dues. We receive no financial assistance from Amtrak or any other railroad or from railroad labor or the Government.

I would like to say first of all that we are grateful that the administration has recognized the value of our national train system and is recommending a funding level adequate to run the current system, and we would also like to thank Amtrak for a remarkable job in improving its efficiency while at the same time improving service.

We support Amtrak's request for $807 million for fiscal year 1984, and we would prefer to see the money unfenced as to operations and capital. We feel that the administration's request of $68 million in capital is insufficient. I guess what I am saying here is that certain of the so-called earmarked projects would not only be in the public interest but in Amtrak's own interest. We would like to see enough capital money in the next budget to permit some of these projects.

We would like to see Congress not fiddle with the 403(b) intercity and the 403(d) commuter language. There seems to be a double standard in our public transportation policy in this country that regional and commuter trains are a local matter but regional and commuter freeways are a Federal matter, because we fund the latter at the rate of 90 percent Federal contribution.

In the case of 403(b), the intercity trains, these States have not even had to deal with the steeper contributions that are required by the old act, by the 1981 act, and I don't think it is at all clear that the program would survive with the administration's present proposal.

As for 403(d), most of these States are Northeastern States that are already up to their ears in trouble with the Conrail transfer, and this is probably the worst possible time to ask these States to shoulder this additional burden.

We do support continuation of the Cardinal. It has made dramatic strides in the past few years. If the train could finally get into Indianapolis, I think there would be no question that the train would really serve a legitimate transportation purpose and would well surpass both of the criteria.

We also would like to see Amtrak get back into Oklahoma. We don't particularly care about which route, and even tri-weekly service would be acceptable to us; but we feel that there is strong public support in this State and a strong market demand as well.

We would like to see some through cars added between Kansas City, St. Louis, and New Orleans. Amtrak management has this proposal. We feel that it would, in addition to tying Missouri in with Memphis and New Orleans, provide long distance revenue yield that would more than make up for any incremental costs involved.

We support Amtrak's proposal to establish autoferry service between Washington and central Florida and we wish them well on that.

We would also like Amtrak to upgrade from tri-weekly to daily two of its trains that run in the Midwest and the West, the Eagle from Chicago and St. Louis down to San Antonio, and the Sunset Limited, which runs from New Orleans to Los Angeles.

I might just add that in 1984, the World's Fair will be in New Orleans and the Olympics in Los Angeles, and we think that this is a great opportunity for that train to go daily.

I will just reemphasize again our belief that capital is essential. If you look at the many accomplishments which Amtrak has achieved in the past few years, they are all directly related to prior capital investment, and with proper capital tools, Amtrak will become more self-sufficient and will require less money from the Federal Government.

Amtrak needs a larger passenger car fleet, and we will admit that some of our plans that I have just outlined probably cannot even be attained at the moment because there just are not enough cars in the fleet.

I guess that concludes our wish list. As one who was born and raised in St. Louis, I would like to thank you, Mr. Chairman, for your interest in trying to get Amtrak back into Union Station. We have an awful situation there and it is really shameful to have to use a makeshift trailer. It has been about 4 years, and we would love to get a permanent station.

Senator **DANFORTH**: Thank you. Well, I certainly agree with that. I don't know why you want to tie St. Louis in with Memphis, but thank you very much, Mr. Williams.

Senator Lautenberg.

Senator **LAUTENBERG**. I have no questions, Mr. Chairman.

If I may ask your indulgence, Mr. Chairman—because not being a member of the committee, it does not entitle me to much time and I won't take it—just to say for the record, Mr. Chairman, that coming from New Jersey, the most densely populated State in the Union, we have a very heavy need for commuter service, and I know that Amtrak has done a commedable job in this regard.

My appeal, and I will submit some questions for the record, is that we need help to continue operating that service. Otherwise, It will cost New Jersey, which has an inversely proportional budget situation to its population. In other words, we have lots of people per square mile and have very few dollars per person to deal with. The cost for us would increase somewhere from $5 million to $10 million to handle the Amtrak commuter trains that they want to stop funding in New Jersey.

So I will just simply put these questions in for the record if I might, Mr. Chairman. Thank you very much.

[The statement and questions and answers follow:]

STATEMENT OF BARRETT M. WILLIAMS, ASSISTANT DIRECTOR, NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

Mr. Chairman and members of the subcommittee, thank you for this opportunity to present the views of our Association, which is non-profit, consumer-oriented, and supported entirely by membership dues and contributions. We receive no financial support from the government, Amtrak, the railroads, or the rail labor unions.

I. OPERATIONS

I will not belabor the theme which Amtrak management and various news reports have adequately developed in recent months: Amtrak has done a remarkable job of controlling costs while holding service cuts to a minimum and implementing some service improvements. Amtrak's operating grant requirement dropped 23 percent from fiscal year 1981 ($720 million) to fiscal year 1982 ($555 million) in real dollars; in constant dollars the drop was 28%. Although we did not support all of the 1981 service cuts, we agree that the cuts included the last of the services for which near-term viability prospects were poor. Consequently, Amtrak President W. Graham Claytor, Jr., was able to state at his first news conference, last Oct. 26: "I think we believe all the trains we're now running can be made to meet the criteria."

NARP continues to support re-establishment of Oklahoma service, which can be accomplished with two small trainsets and which should strengthen the "Southwest Ltd." The most likely route (Newton-Wichita-Oklahoma City-Fort Worth) would also provide a direct Texas-Kansas City Link.

The previous Oklahoma service, when discontinued in 1979, was outperforming three routes which continue today with dramatically improved performance (see, for example, discussion of "Cardinal" later in this statement). During the week of Aug. 13–19, 1979, sold-out conditions on the Oklahoma train forced Amtrak to deny 10,171 requests for space. (While one individual is often responsible for several requests, many other people gave up after repeated busy signals or never bothered to try because the media—including Amtrak's own ads—indicated it was difficult to reach the reservations bureau at that time.)

It is probable that, had the Oklahoma service continued, it would today be meeting the criteria, and we support an amendment which would require Amtrak to restart service to Oklahoma.

We have also urged Amtrak to consider operating the Los Angeles-Phoenix-New Orleans/Chicago "Sunset/Eagle" daily. 1984 will see the Olympics in Los Angeles and the World's Fair in New Orleans. The "Eagle" (San Antonio-Austin-Ft. Worth-Dallas-Little Rock-St. Louis-Chicago) has responded extremely well to its 1981 restructuring, which included operation into the main San Antonio station and carriage of through Phoenix-Los Angeles cars. (Mr. Claytor has already told us he is looking at the daily "Sunset" possibility.)

Finally, we support strengthening the Missouri-sponsored St. Louis-Kansas City "Mules" by extending them to Carbondale, creating a through service Kansas City-Jefferson City-St. Louis-Carbondale-Memphis-Jackson-New Orleans. Amtrak is already investigating this move, which may have little or no impact on operating grant needs. It would strengthen both the "Mules" and the Chicago-New Orleans run, which currently has lighter loads south than north of Carbondale.

Auto-Ferry Service.—President Claytor believes that institution of Virginia-Florida auto-ferry service [passengers and their autos carried in separate cars on the same train] will generate a profit. Whatever the precise figures, Amtrak will have a big advantage over the defunct Auto-Train Corporation due to many of the same economies-of-scale factors which have lead NARP to argue that carefully planned expansions (not to be confused with some services inaugurated during the 1970s) will make Amtrak more efficient by improving the ratio of revenue-earning capacity to fixed costs.

Auto-Train established an entire reservation system for one train, but Amtrak will be able to add a new service to its huge ARROW reservation computer system for next to nothing.

No high-priced managers will be devoted exclusively to the service. (In 1979, The Washington Star reported that the president of Auto-Train was paid $125,000/year and two senior vice-presidents "are paid nearly $68,000 apiece.")

Auto-Train negotiated a special railroad contract for its one train, but Amtrak will simply fit the new service in under the existing Amtrak/Seaboard System/RF&P contract.

Amtrak can draw on an existing fleet of cars.

Amtrak will also benefit from complete freedom to set its own fares, whereas Auto-Train was confounded by lengthy Interstate Commerce Commission procedures. An Oct. 12, 1979, New York Times article quoted Auto-Train's president on the impact of ICC regulation: "We raised our prices in June, but by July 4 we realized we had made a mistake. By the time we got the prices back down we had lost most of the year."

Amtrak hopes to inaugurate its auto-ferry service this fall, and we wish them success.

II. CAPITAL INVESTMENT

Amtrak's improved financial performance today is made possible largely by previous capital investments. Continued capital investment will be essential both to avoid repeating the cycle of service quality and financial decline from which Amtrak has emerged and to enable Amtrak to expand and become more cost-effective. Fulfillment of Amtrak's requests for capital funds is also important to preservation of a domestic rail passenger car industry, an issue which appears to be of some concern to many legislators.

Even today, Amtrak probably does not have enough equipment on hand to operate effectively all of the new services noted in my statement.

Consequently, we strongly support full funding of Amtrak's $807.1 million request and would prefer to see the money "unfenced" with respect to the major categories (operations/capital).

Cape Code.—The inclusion of $5 million for upgrading Attleboro-Hyannis track to passenger standards in the fiscal year 1983 DOT appropriations law prompts this observation. It is our understanding that the New York-Cape Cod summer operation was profitable for the New Haven Railroad even in the final year of operation, 1963, and that the service was withdrawn on the advice of the company's lawyers who feared that continued operation of the service after ICC permission to drop it had already been granted might lead the ICC to force a new set of hearings if the company wanted to drop it "again." (In the late 1950's, the New Haven sought and received permission to discontinue all Cape service, but this consisted primarily of money-losing and unsubsidized Boston-Cape Cod commuter trains. The New York summer services represented a small percentage of total train-miles, and they were operated voluntarily by the railroad subsequent to the ICC action.)

Since the early 1960's, of course, traffic congestion on Cape Cod has grown dramatically and no new bridges over the canal have been built. The Commonwealth of Massachusetts has already invested some money in the tracks, and will invest more. A diesel-powered tourist railroad is already operating between Buzzards Bay station (on the mainland) and both Falmouth and Hyannis); this "Cape Cod & Hyannis Railroad" handled 3,500–4,000 passengers/week last July, and has plans to add baggage cars "to carry both luggage for travelers who use the railroad as transportation onto the Cape and bicycles." [Passenger Train Journal, Dec. '82]

In other words, rail passenger service to the Cape is not a far-fetched gleam in the eyes of naive wishful-thinkers; it is already here in one form, and could well become profitable for Amtrak.

III. SECTION 403(B) TRAINS

We oppose the administration proposal to force states to pay 100 percent of the costs of "Sec. 403(b)" trains, those trains now jointly funded by Amtrak and the states. Not until fiscal year 1984 will the states feel the full impact of the stiff increases in state shares enacted in 1981. That law will require states to pay 65 percent of short-term avoidable costs instead of 50 percent of "solely related" costs except for startup years. The 1981 law thus forces states to pay a higher percentage of a bigger cost-base. It also stiffened state-share requirements for startup years. Whereas the previous law required states to pay 20 percent of solely related costs the first year a route operated and 35 percent the second year, the 1981 law now in effect allows a "discount" only during the first year of a route's operation, when the state must pay 45 percent of short-term avoidable losses.

It is uncertain how much of the 403(b) program will survive full implementation of the 1981 law, particularly in light of Amtrak's decision to charge the states for depreciation and interest, even though Amtrak itself does not pay such charges.[1]

---

[1] Estimated depreciation-and-interest NY must pay for "Adirondack" during 9 months starting October 1: $209,000. Total NY payment in State fiscal year 1982 (12 months); $385,471.

Thus, any attempt now to eliminate the federal share would be virtually the same as killing the program outright, just as it would in many other federal programs.

We noted with some concern that the gas-tax law raised the federal share in some highway programs and reduced it for mass transit construction. We strongly oppose such trends and urge that the federal share of Section 403(b) remain at least as large as provided for under current law. Similarly, we urge that Section 403(d) be left unchanged. Most of the trains in that category are there because Amtrak fought legal battles in its early years to get control of them, and most of the states involved are currently struggling with the implications of the Jan. 1, 1983 exit of Conrail from the operation of commuter trains for which the states are already responsible. (As this testimony is written, Metro-North and New Jersey Transit trains have been shut down by a union walkout.)

IV. CARDINAL

The continuing strong positive trend in "Cardinal" performance warrants continuation of the route. President Claytor stated in a Feb. 15 UPI interview: "The Cardinal this year I think is going to meet all of its criteria. . . . Each year it's been better, considerably better."

The following table makes his comments easy to understand:

	Passenger-miles-per-train mile	Percent change vs. year before
Fiscal year:		
1978	58.9	
1979	82.7	+40
1980	87.5	+6
1981	104.2	+19
1982	140.1	+34

Furthermore, the avoidable-loss-per-passenger-mile in Fiscal Year 1982 dropped to 4.5¢ (vs. 6.3¢ in Fiscal Year 1981 and a statutory threshold of about 10¢). Note also that "Cardinal's" impressive performance to date came in spite of its continuing failure to serve Indianapolis and its serving Cincinnati at a location which is undesirable both for passengers and for railroad operations (requiring a slow backup move). We are hopeful these problems will be solved.

V. CLEARWATER/ST. PETERSBURG

We are opposed to Amtrak's plan to discontinue service at Clearwater and St. Petersburg and to undertake capital investments to replace certain St. Peterburg facilities with facilities at Tampa. We do not agree that forcing passengers to transfer to buses will "improve service," as President Claytor claims. We don't see *any* passengers saving 70 minutes in total trim time. For a passenger traveling between Richmond, VA, and St. Petersburg, FL, even if 70 minutes were saved, this would mean only a 6 percent time-saving; for the thousands of passengers boarding north of Richmond to New York, the percentage savings would be even lower. The great advantage of the train is its accessibility—the number of locations it serves as compared with the airplane.

Florida DOT is progressing plans to establish a light-rail line between Clearwater (near the Amtrak station) and downtown St. Petersburg. If Amtrak continues to serve Clearwater directly, the light-rail/Amtrak interchange at Clearwater could become quite popular, and would represent a good coordination of public investments.

During the interim, Amtrak could improve the St. Petersburg operation by negotiating a crew run-through agreement, establishing a stop in the north of Tampa near Bush Gardens, and improving running-times on the Tampa-St. Petersburg line. It is noteworthy that the combined ridership of St. Petersburg and Clearwater consistently exceeds Tampa ridership today.

It is one thing to require "San Francisco Zephyr" passengers to transfer to a bus to reach San Francisco from the Oakland rail terminal. There is really no alternative there, and San Francisco is a transit-oriented city with many people accustomed to transfers.

In Florida, there is no such transit orientation and a higher proportion of the riders are older people who may resist the transfers. It is questionable whether, after one extracts riders who drive on their own to Tampa and riders who discontinue use of Amtrak, enough passengers will remain to justify continuing the bus service.

VI. IN CONCLUSION,

We thank the Subcommittee for its role in enabling Amtrak to develop successfully to date and look forward to your continued support of rail passenger service.

Senator DANFORTH. The next witness is Mr. Edward Deets, Central Florida Coach Lines.

Mr. Deets, please proceed.

I want to point out that the vote bell has rung and there is a vote on the floor of the Senate. My hope is that we can hear your testimony through, but it may be that we will have to interrupt it.

STATEMENT OF EDWARD P. DEETS, PRESIDENT, CENTRAL FLORIDA COACH LINES, INC., ACCOMPANIED BY JIM NELLIGAN, CONSULTANT; AND BETTY DEETS, SECRETARY-TREASURER

Mr. DEETS. I thank you, sir.

Mr. Chairman, I, Edward Deets, my consultant, Jim Nelligan, and my wife Betty Deets, Secretary-Treasurer of Central Florida Coach Lines, Inc., who has worked with me diligently over the years to help build this business, want to thank you for the opportunity to appear before you this afternoon to express my objections to Amtrak's proposal to establish an auto ferry passenger rail service between Lorton, Va. and Sanford, Fla., the old Auto-Train route.

Should Amtrak decide to venture into the auto ferry business, the impact will not only bankrupt small, privately financed businessmen such as myself who have worked long and hard to build an effective auto-bus business, but will waste millions of tax dollars.

The original Auto-Train closed down in May 1981, after 9 years of operation and $25 million in debt. For reasons I have outlined in these comments, I believe any Amtrak auto ferry operation will meet the same fate as Auto-Train and, in the process, destroy privately financed small business competition such as my auto-bus service.

During the shortrun period when the Amtrak operation is new and travelers have not experienced the disadvantages and discomfort of an auto-train, it is unlikely that small business will be able to compete with a company having available to it hundreds of millions of dollars of Federal subsidies.

Amtrak's solicitation included the presumption that an Amtrak auto ferry would serve about 140,000 passengers annually. It is highly doubtful that this would be the case, and the projection seems to be highly speculative. A large percentage of the Auto-Train passengers were young families. High-priced gasoline in short supply made Auto-Train attractive to them in the seventies. However, the continuing decline in gas prices, newer cars giving double and triple the gasoline mileages per gallon, and the easy access to fuel day and night en route to and from Florida have put traveling families in their cars. In this period of falling fuel prices, I question whether any improved Auto-Train operation can attract families from their cars, unless the operation is run at a loss with Federal dollars subsidizing the loss.

The remaining percentage of the Auto-Train customers consisted primarily of senior citizens. Rarely did the elderly repeat the use of the service because the swaying, jerky movement of the train and the uncomfortable sleeping accommodations prevented easy mobility during the day and sustained sleep at night. Combined with numerous other discomforts, elderly passengers frequently arrived at their destination point exhausted and bruised, often ill.

In January 1983, the Amtrak Board of Directors voted to place a Virginia to Florida auto ferry on the rails by late this year. Board member Charles Luna was reported as saying to Amtrak Board Chairman Graham Claytor during the meeting, "I will go along with this but you are not fooling me."

Apparently, Luna questioned whether the service would meet its profit projection of $4 million a year and reminded that Amtrak has been in the auto ferry business once before and it was not successful. It was also reported that Chairman Claytor cited internal studies showing that the service would be profitable and successful, but refused to release the studies.

I would hope that the Congress of the United States and the American public would not be denied the opportunity to review and analyze the internal studies cited by Mr. Claytor. I would respectfully request that these studies be provided to the appropriate committees of Congress for their review and analysis and that such review and analysis include input from those individuals and groups opposed to the Amtrak venture. Such input, however, could be meaningful only if the Amtrak studies were made available to those individuals and groups for their review.

With respect to Amtrak's claim that an auto ferry service would have a positive impact on traveler safety, it is notable that Auto-Train suffered two bad wrecks during the 9 years of its operations. In the final analysis, Amtrak's venture into the auto-train business will produce only losers, small businessmen like myself who have worked long and hard to build a successful business without Government help, and the American taxpayers, who will once again absorb the cost of Amtrak's folly.

Mr. Chairman, on behalf of privately funded small businessmen such as myself who are finding it increasingly difficult, if not impossible, to continue competing against Government subsidized corporations, and the American taxpayers, I respectfully request that your committee and other appropriate committees of the Congress look into the feasibility of the Amtrak auto ferry venture. Should you find, as I believe you will, that this venture would be a failure and a drain on the American taxpayer, I would ask that the authority and influence of the U.S. Congress be used to discourage Amtrak from this venture.

Mr. Chairman, I only have about another minute and a half here. Do I still have time or do you want to call a recess?

Senator **Danforth**. Well, fine, Mr. Deets. Why don't you just go right ahead. I don't have very long because there are about 5 minutes between now and the end of the vote, but if you could proceed for about a minute, I would appreciate it.

Mr. **Deets**. Thank you, sir.

Auto-bus features and advantages. It provides a specialized service for elderly people for all of their travel needs. Auto-bus provides several pickup points and several departure points.

Senator DANFORTH. I will tell you what we could do on these features and advantages, if you would like. Would you like us to just put this in the record? We could just insert it in the record.

Mr. DEETS. Yes, Mr. Chairman.

Senator DANFORTH. My understanding is that you are in a business which would, if the Auto-Train were instituted, be in direct competition.

Mr. DEETS. Yes, it would, Mr. Chairman.

Senator DANFORTH: Your business is not subsidized by Uncle Sam and Amtrak is subsidized by Uncle Sam, and you feel that that is obviously going to be to your detriment and it is unfair.

Mr. DEETS. There is no question, Mr. Chairman. It will hurt us. It will come at a time when we have just been deregulated. We haven't even had a chance to prove ourselves. We can give service where Amtrak can't and they are going to waste money to start up something else that will never work.

Senator DANFORTH. Mr. Deets, thank you very much.

[The statement follows:]

STATEMENT OF EDWARD P. DEETS, PRESIDENT, CENTRAL FLORIDA COACH LINES, INC.

Mr. Chairman, members of the subcommittee, I want to thank you for the opportunity to appear before the Senate Surface Transportation Subcommittee this afternoon to express my objection to Amtrak's proposal to establish an "auto ferry" passenger rail service between Lorton, Virginia and Sanford, Florida (the old auto-train route). Should Amtrak decide to venture into the auto ferry business, the impact of that decision will not only bankrupt small, privately-financed businessmen such as myself who have invested heavily and worked tirelessly to build an efficient and attractive "auto-bus" industry, but eventually will waste millions of tax dollars.

The original auto-train closed down in May 1981 after nine years of operation and $25 million in debt. For reasons I have outlined in these comments, I believe any Amtrak auto ferry operation will meet the same fate as auto-train, and in the process destroy privately financed small business competition; such as, my auto-bus service. During the short-run period when the Amtrak operation is new and the travelers have not experienced the disadvantages and discomfort of an auto-train, it is unlikely that small business will be able to compete with a company having available to it hundreds of millions of dollars in Federal subsidies.

On February 18, 1983, Amtrak solicited public comments on it proposal in accordance with its Criteria and procedures for making route and service decisions. Amtrak's solicitation included the presumption that an Amtrak auto ferry will serve about 140,000 passengers annually, assist in reducing fuel consumption and have a positive impact on traveler safety. There is no question that fuel consumption would be reduced if, indeed, 140,000 passengers would use an auto ferry train service year after year. Based on the auto-train experience, however, it is highly doubtful that this would be the case and the projection seems to be highly speculative.

A large percentage of auto-train's passengers were young families. High priced gasoline in short supply made auto-train attractive to them in the 1970's. However, the continuing decline in gas prices, newer cars giving double and triple the gas mileage per gallon, and the easy access to fuel day and night enroute to and from Florida have put traveling families back in their cars. In this period of falling fuel prices, I question whether any improved auto train operation can attract families from their cars—unless the operation is run at a loss with federal dollars subsidizing the loss.

The remaining percentage of auto-train customers consisted primarily of senior citizens. Rarely did the elderly repeat the use of the service because:

They could not sleep satisfactorily at night and, in many cases, did not sleep at all because the train moved throughout the night.

Auto-train did not give a smooth ride and the swaying, jerky movement made many of them ill and bruised when attempting to circulate.

Auto-train did not provide personalized service for elderly passengers.

Elderly requiring special diets and food could not be fed properly aboard auto-train.

Crowded and constantly used toilet facilities were not readily available to them when needed, particularly during the night.

They often became sick and some times seriously ill and could not get immediate medical attention aboard the auto-train, especially throughout the night and early morning hours while the auto-train was traveling in the middle of nowhere.

They found that after a very uncomfortable, restless trip they arrived at their destination exhausted and often ill.

I formed central Florida Coach Lines, Inc. (Auto-bus) in 1974. It is the original auto-bus service transporting passengers and their automobiles between locations in the northeast and locations in Florida. It is now serving more than 10,000 travelers a year at a reasonable cost and provides jobs for more than 175 people. Despite competition from others who have copied the concept, the volume of my business is increasing and years of hard work by my family and I have recently turned the red ink to black. I am afraid that this expenditure of time, effort and money will have been useless if Amtrak ventures into the auto ferry business.

In January 1983, the Amtrak Board of Directors voted to place a Virginia-to-Florida auto ferry on the rails by late this year to replace Auto-Train that was forced to cease operations 22 months ago. Although the services is expected to cost 4.4 million of the taxpayers dollars to start, it was reported in the Orlando Sentinel that Amtrak officials released few details other than Amtrak trains carrying passengers and their automobiles would follow Auto-Train's route between Lorton, Virginia and Sanford, Florida. Moreover, it was reported the plan received less than 15 minutes of discussion during the board meeting, with one of the nine board members expressing strong reservations about the project.

Board member Charles Luna was reported as saying to Amtrak Board Chairman Graham Claytor during the meeting, "I will go along with it but you are not fooling me." Apparently, Luna questioned whether the service would meet its profit projections of $4 million a year and reminded that Amtrak had been in the auto ferry business once before and it was not successful. It was reported further that Chairman Claytor cited "internal studies" showing that the service would be profitable and successful; but refused to discuss any aspect of the auto ferry after the Board, meeting. Also reported was an Amtrak official's refusal to release the internal studies. I would hope that the Congress of the United States and the American public would not be denied the opportunity to review and analyze the "internal studies" cited by Mr. Claytor. I would respectfully request that these studies be provided to the appropriate committees of Congress for their review and analysis and that such review and analysis include input from those individuals and groups opposed to the Amtrak venture. Such input, however, could be meaningful only if the Amtrak studies were made available to those individuals and groups for their review.

In fiscal year 1982 Amtrak received a $735 million Federal subsidy and earned only $500 million in passenger fares. Despite three-quarters of a billion dollars from U.S. taxpayers, Amtrak's operations deficit was $120 million.

I believe Amtrak's auto ferry venture is doomed to fail and will result in the unnecessary waste of tax dollars. It will be just another example of Uncle Sam footing the bill for adventurous, often mismanaged rail service. The insurmountable problems confronting Auto-Train will undoubtedly confront Amtak and will eventually lead to the failure of its auto ferry operation.

Auto-Bus has avoided these deficiencies by providing better, more individualistic service through small numbers of passengers, travel only during the daylight hours, and evening recreation, dining and bedding at a Holiday Inn. In contrast to Auto-Train service, Auto-Bus passengers arrive at their destination rested and refreshed. (See attachment listing other Auto-Bus features and advantages.)

In addition to the Auto-Train deficiencies listed above; operational problems confronting Auto-Train included:

A fixed operating cost of about $25,000 per round trip regardless of whether the train was one-third, one-half or three-fourths full.

Only one departure and one arrival point.

Long waits for automobiles after arrival at destination.

With respect to the claim that an Amtrak auto ferry service would have a positive impact on traveler safety, it is notable that Auto-Train suffered two bad wrecks during its nine years of operation.

Should Amtrak venture into the auto train business, I am concerned that companies like mine will fail. They will fail not because Amtrak will provide better, more economical service, but because Amtrak is permitted to compete unfairly through the use of millions of Federal dollars.

In the final analysis, Amtrak's venture into the auto train business will produce only losers—small businessmen like myself who have worked long and hard to build a successful business without Government help, and the American taxpayer who will once again absorb the cost of Amtrak's folly.

Mr. Chairman, on behalf of privately financed small businessmen such as myself, who are finding it increasing difficult if not impossible to compete with large Government subsidized corporations, and the American taxpayers, I respectfully request that your committee and other appropriate committees of the Congress delve into the feasibility of the Amtrak auto ferry venture. Should you find, as I believe you will, that this venture would enventually be a failure and a drain on the American taxpayer, I would ask that the authority and influence of the U.S. Congress be used to discourage Amtrak from implementing the auto ferry venture.

Again, Mr. Chairman, I want to thank you and the members of the committee for the opportunity to appear before you today. Also, Mr. Chairman, I want to compliment you on you outstanding staff. Their cooperation and consideration was excellent and very much appreciated.

AUTO-BUS—FEATURES AND ADVANTAGES

A. Provides a specialized service for elderly people for all their travel needs.

B. Auto-Bus provides several pick-up points and several departure points—several as far North as Connecticut, Hazelton, Pa. near Interstate 80–81 conveniently located, also from Camp Hill, Pa., Fredericksburg, Va., St. Augustine, Fla., Orlando, Fla., Cocoa Beach, Florida, Lima, Ohio and Lexington, Kentucky.

C. Auto-Bus provides the elderly with the best in bus transportation, rest-rooms also available, air-conditioned or heat keeping passengers comfortable at all times.

D. Auto-Bus provides the passengers a smooth relaxing ride arriving at their destination rested and ready to enjoy a nice relaxed evening.

E. Auto-Bus usually books approximately 33 to 38 passengers to each bus that has seating capacity for 43 passengers. This leaves plenty of room to move around and provides a pleasant ride to its passengers.

F. Auto-Bus travels day-time only; should a passenger become ill, the bus takes them directly to the hospital, usually within only a few minutes after they become ill, thay are being cared for at the emergency entrance.

G. Auto-Bus passengers are off the road by 6:00 p.m. in the evening, in a Holiday-Inn where they can get food per their choice and after dining, they really look forward to a relaxed and restful evening.

H. Auto-Bus passengers are taken care of throughout the evening, should any one become ill, the motel can have an ambulance there within a few minutes.

I. Auto-Bus can, at any time add on buses to handle an increase in passengers per week or take off buses at any time; however, the Auto-Train has to go at a high fixed cost regardless of how many passengers are going that day.

J. Auto-Bus has expanded from one bus per week, starting in 1974 to seven buses per week in 1982 through the Fall months and Spring months—passengers are all elderly people except a few young, single travelers that do not want to be driving a great distance all alone in their car.

K. The concept of Auto-Bus was built through a lot of hard work by one man and his wife and daughters—the old American Free Enterprise System and passengers telling their friends how much they liked to go with us on Auto-Bus plus it provides 150 jobs and pays Highway Use Taxes through all the States it travels.

POINTS OF INTEREST

Since Auto-Train went bankrupt in 1980 and continued operating until 1981, there now are the following companies providing service for the retired elderly people and whoever wishes to travel to and from Florida on the East Coast.

Name of company and address	*Year began*
Auto-Bus, Mountaintop, Pa.	1974
Auto-Log, New York, N.Y.	1978
Arrow Auto-Bus, Hartford, Conn.	1980
Fly-Drive-Car-Fla., New York, N.Y., Washington, D.C.	1981
Trans-Auto Cargo-Rail, Alexandria, Va.	1981
Scandavian World Cruise, depart New York, N.Y., every 6 days, to Cape Caneveral and Miami, Fla., passengers and capacity 400 automobiles	1982
Auto-Florida, Carlisle, Pa.	1983

Auto-Bus when not in use to and from Florida are used for Charter and Bus Tours.

Senator **Danforth**. That concludes the hearing.

[Whereupon, at 3:25 p.m. the hearing was concluded.]

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

STATEMENT OF NORMAN R. SHERLOCK, PRESIDENT, AMERICAN BUS ASSOCIATION

Mr. Chairman, on behalf of the American Bus Association, I appreciate this opportunity to submit testimony on the reauthorization of Amtrak.

The ABA is the national trade association of the intercity bus industry. Our members include 700 bus operators, 126 manufacturers and suppliers associated with the industry, and 1800 travel and tourism destinations—hotels, motels, theme parks, museums and attractions, and cities and states to whom intercity buses bring passengers.

As you know well, Mr. Chairman, the industry has recently been economically deregulated by Congress. The Bus Regulatory Reform Act of 1982 has afforded us the first major regulatory relief in almost 50 years, and we are just now beginning to conduct business in this new environment.

Although there are some areas of intermodal cooperation between the bus industry and Amtrak, such as in transportation centers and terminals, we continue to suffer the effects of competition with the publically subsidized national railroad passenger system. Some $10 billion of government funds have been given to Amtrak since its inception 12 years ago. Where the bus industry competes head to head, such as in the Northeast Corridor, we have suffered as a result of the operating subsidies particularly. Our fares must be paid by the passenger; a comparable train ticket is heavily subsidized by the government. As you know from previous testimony in past years by the ABA and others, we consider this an unfair advantage for the public sector against the private sector when and where there are businesses ready, willing, and able to provide service to the public.

As a result of last year's regulatory reform legislation, we are seeing more and more intramodal competition. You are aware already of some of this and you will, of course, be fully apprised later this year when you hold the required oversight hearing on the effects of the bill. The industry is readjusting, going through a new phase of development. This is to be expected; it is exciting and challenging, and we are not objecting to it. We do not know, however, at this early date, what the results will be and what the ultimate health of the industry will be.

Against this background, Mr. Chairman, there are two new Amtrak programs on which, we believe, we would be remiss were we not to comment. The first is the auto-train operation between Washington and Florida; the second is the improvements to be made to provide high-speed rail service between Philadelphia and Atlantic City.

Mr. Edward F. Deets, a member of ABA and the President of Central Florida Coach Lines, Inc., testified before your Subcommittee on March 14, 1983, in opposition to the auto-train. We support Mr. Deets and the other private bus operators who are providing passenger/auto service from the Northeast to Florida. Mr. Deets' Auto-Bus has been in operation since the mid 1970s. It now is serving more than 10,000 passengers a year at a reasonble cost. The service is comfortable, efficient, and profitable—with no subsidy from federal or state governments. Mr. Deets believes that he and the other private operators with whom he is competing will all fail should Amtrak venture into this business. Is this the role of the public sector, Mr. Chairman, or should scarce public resources be saved for use in services that the public is not being offered by the private sector? I respectfully direct your attention to the case made by Mr. Deets and to the additional materials he made available to your Subcommittee.

Turning to the proposed Philadelphia, Pennsylvania, to Atlantic City, New Jersey, service, we have a number of questions and observations. We have been working very closely on this issue with the Atlantic City Bus Operators Association (ACBOA) whose membership includes more than 50 bus operators doing business to and from Atlantic City.

Since the $30 million authorization for the track reconstruction was an item specifically directed by Congress, we regret that there was no opportunity to testify before it was enacted into law. We believe that this is too important a project to be a fait accompli without having been considered in the full legislative process by both bodies of Congress. Thus, once again, we appreciate this opportunity to present our views.

Unlike other rail service in the Northeast Corridor (common carriage between major cities), the $30 million authorized for these 60 miles are monies simply to subsidize persons to travel to Atlantic City to the casinos.

At best, it is questionable public policy for taxpayers' funds to be used to subsidize transportation solely to take passengers to a specific place for the specific amusement purpose such as exists in Atlantic City. In this case, it is even more questionable since there is adequate private, nonsubsidized transportation being offered by many intercity bus carriers. Equipment is of excellent caliber, service is frequent (both scheduled, regular route, and charter) and the price is reasonable. Passengers are taken directly to their destinations; they are not brought to a central location, such as a train station, from where local transportation would be necessary causing additional local traffic and subsidy. The $30 million will not cover station costs, rolling stock, operating subsidies, nor, of course, costs of the local transportation needed to complete the trip.

In his reconciliation of Amtrak's 1984 budget request with that of the Administration, Amtrak President W. Graham Claytor, Jr., points to the $30 million of Northeast Corridor Improvement Project funds that Congress directed be used for the Atlantic City track reconstruction as one of the items that could bring his request into line if it were "otherwise funded." Certainly, the impression is left that this project is not one that Amtrak is anxious to take on, let alone one for which it requested funds.

In contrast, the Philadelphia/Atlantic City route is a critical market for many of our operators and the loss of this service to subsidized rail service could mean the end of profitability for some. Thus, by an ironic twist of government policy, taxpaying entities who provide a public service today without subsidy would see their business diminished in the face of massively-subsidized service which would impose a greater drain on taxpayer funds.

In summary and in conclusion, Mr. Chairman, we do not believe that the Philadelphia/Atlantic City passenger rail project should proceed as planned. In any public service, the private sector should be employed where it is ready, willing, and able to be the service provider. In this particular case, the private intercity bus industry is ready, willing, and already ably providing ample service to the traveling public in the corridor between Philadelphia and Atlantic City. To compete with it and possibly to replace it with expensive rail service heavily subsidized by public monies which are increasingly scarce and needed for other programs makes little, if any, sense.

Thank you very much.

STATEMENT OF FRIENDS OF THE RAILROAD

The Friends of the Railroad represents train commuters from West Virginia, Maryland and Virginia which use the Amtrak operated Blue Ridge commuter train that goes both direction each day from Martinsburg, West Virginia to Washington, D.C.

This statement is to strongly indicate the oppostion of the Friends of the Railroad to the Administration proposal made to this committee on March 14, 1983, by Thomas A. Till, Deputy Administrator of the Federal Railway Administration, to repeal Section 403(d) of the Amtrak Act. The Friends of the Railroad worked very hard with the support of Senator Packwood and others to get this provision enacted in the Amtrak Improvement Act of 1981, we certainly hope that the Congress will stand by the 1981 decision. It's no question that repeal of this section would mean the end of the Blue Ridge commuter train since there is no possibility of obtaining State financial support for this train. The Friends of the Railroad have just worked very hard to get a $100,000 appropriation from Charlestown for a B&O commuter train that compliments the Blue Ridge service, and this battle illustrates the futility of expecting to get anything for an Amtrak subsidy from Charlestown. We do not think our prospects would be much better in Annapolis.

We disagree with the Administration's statement that the operation of commuter services "is a local rather than a national responsibility". The experience with mass transit and commuter systems all over the world shows that this is a matter which is not capable of being handled by local government. Certainly in the case of the Blue Ridge where many of the employees are employed by the national government, the national government should consider itself to have some responsibility, however, we believe that there is just as strong a case for the national government helping New Jersey and Pennsylvania commuters to get to work in New York City, using the "Clockers" which are also covered by the section which the Administration proposes to repeal.

We understand the attitude of the President of Amtrak, Mr. Claytor, who is a long time and capable long distance train president, in that he does not want to be bothered with commuter service. Mr. Claytor has made it very clear to the Friends of the Railroad that he really isn't interested in running commuter service no matter how good a record the train has. In the case of the Blue Ridge Mr. Claytor admitted under interrogation of Senator Byrd at a Senate Appropriations Hearing on March 17, that the Blue Ridge had the best per passenger per mile record of any commuter train. However, he added that he felt this was because the fares were too low. Of course, any commuter service can be killed if you make the fares high enough, apparently this is Mr. Claytor's objective.

Even though the Blue Ridge lost ridership after the last fare increase, information furnished Senator Byrd by Amtrak indicates that for the Fiscal Year 1982 the Blue Ridge line still has the lowest avoidable loss per passenger mile of any short-distance Amtrak train—1.9 cents compared to 5.9 cents for other short-distance trains and 4.9 cents for long-distance trains. The average for short-distance trains is 5.9 cents. The average for the Northeast Corridor trains is 1.1 cents.

Therefore, we urge this committee to not only reject the Administration's proposal for repeal of Section 403(d) in modification of 403(b), but also, maintain the present requirements for Amtrak to provide commuter service. If Mr. Claytor is given any discretion to this matter by Congress we are certain that he will figure out a way to eliminate the commuter services.

STATEMENT OF MITCHELL SUSSMAN, PRESIDENT, ATLANTIC CITY BUS OPERATORS ASSOCIATION

My name is Mitchell Sussman. I am the President of the Atlantic City Bus Operators Association ("ACBOA"). I am also the President of Starr Transit, a member company of ACBOA. My office is located at 2531 E. State Street, Trenton, N.J. 08619. ACBOA's Executive Office is located at 910 Beechwood Avenue, Cherry Hill, N.J. 08002.

On behalf of the membership of ACBOA, please accept our appreciation for this opportunity to present to the Subcommittee our views in oppositon to the Federal funding of the High-Speed Rail Line Project between Philadelphia, Pa. and Atlantic City, N.J. This project was authorized by the lame-duck Congress of last term in the Rail Safety and Service Improvement Act of 1982.

ACBOA is a trade association of over 80 bus companies and affiliated non-carriers, many of which are based in or maintain facilities in the Philadelphia and Atlantic City metropolitan areas. Attached to my statement as Appendix A[1] is a roster of ACBOA's membership, evidencing a diverse and substantial constituency. As operators between Atlantic City and the Philadelphia metropolitan area, ACBOA members are extremely concerned and distressed with legislation passed in the lame-duck session of the last Congress authorizing $30 million for construction of a high-speed rail line between Philadelphia and Atlantic City. Indeed, our organization exists to further the interests of bus service to and from Atlantic City.

The membership of ACBOA is at a total loss to understand the logic behind the ultimate expenditure of probably $90 million in capital improvements and millions more in operating subsidies to run a seasonal "Gamblers' Express," when the private sector bus industry provides superior transportation service at a low cost wholly paid by the passengers served.

Congressmen James J. Florio and William J. Hughes, two strong proponents from New Jersey in favor of the Atlantic City rail line, have acknowledged the $30 million Congress authorized for improvements in that rail line will not be sufficient to pay for the needed station and track improvements. See, e.g., Atlantic City Press, Jan. 12, 1983, at 18. Appendix B. Similarly, New Jersey Transportation Commissioner John Sheridan has said more money will be needed because the expected $30 million Federal appropriation will only enable the rail line to be upgraded "to the barest of acceptable standards," and that station and grade-crossing improvements would not be covered by the $30 million. See, Atlantic City Press, Jan. 12, 1983, at 1. Appendix C. Further, various New Jersey state and local sources have estimated an additional $30 to $60 million would be needed. See Atlantic City Press, Jan. 15, 1983, at 10. Appendix D.

---

[1] The attachmment were not reproducible.

In addition to the true capital costs of reconstructing the Philadelphia-Atlantic City rail line, which even strong proponents admit approach $90 million, Congressman Hughes, who represents the 2nd Congressional District in southern New Jersey, cordially admitted to members of ACBOA in a meeting on February 28, 1983, operating subsidies would be required for at least the first several years after the proposed Atlantic City rail line initiated service. In discussions before the Atlantic City Chamber of Commerce, we understand proponents of the rail line have even proposed the diversion of Atlantic City Expressway's toll revenues to fund the rail line's operating debt. In other words, bus operators and others will be forced to subsidize their competition.

ACBOA asks the Subcommittee and the Congress how the expenditure of money representing the true capital and operating costs involved on a "Gamblers' Express," can be justified in this time of record budget deficits, continuing recession, record post-war unemployment, and massive cut-backs in social and health services for the American people? ACBOA believes this question is particularly poignant, considering the membership of ACBOA provides an admittedly efficient, low-cost, responsive transportation service not only between Atlantic City and the Philadelphia metropolitan area, but between Atlantic City and more distant points in states such as Connecticut, New York, Pennsylvania, Maryland, Delaware, Washington, D.C. and Virginia.

To illustrate ACBOA's integral transportation operations to and from atlantic City, ACBOA asks the Subcommittee to consider some representative statistics of individual ACBOA members:

American International Transport, Inc.—Headquartered in Atlantic City, American International Transport conducts bus operations between Atlantic City and points throughout the Eastern Seaboard. American International employs approximately 50 employees directly involved in its Atlantic City service. During peak season, American International runs an average of 15 charter buses a day to Atlantic City. Even in the off-season, American International runs 5 charter buses daily to Atlantic City.

Hamilton Motor Coaches.—Headquartered in Trenton, NJ, Hamilton Motor Coaches provides Atlantic City service for customers located in Philadelphia and suburban Pennsylvania counties including Bucks and Montgomery. In New Jersey, Hamilton Motor Coaches transports passengers between Atlantic City and points in Burlington, Mercer, Middlesex, Monmouth, and Ocean Counties. Averaging between 2 and 3 charter runs daily, Hamiliton attributes continued employment of 10 of its employees directly to it Atlantic City operations.

Capitol Bus Co. d.b.a. Capitol Trailways of Pennsylvania.—Headquartered in Harrisburg, PA, Capitol Trailways provides service between Atlantic City and such Pennsylvania points as Harrisburg, York, Gettysburg, Lancaster, Reading, Lebanon, Pottsville, Hazelton and Philadelphia. During the peak season, Capitol Trailways dispatches an average of 16 scheduled trips and 2 charter runs to Atlantic City per day. Even during the off-season, Capitol Trailways operates 14 scheduled runs daily to Atlantic City. Approximately 30 Capitol Trailways' employees depend on the Company's Atlantic City operations for their jobs. Capitol Trailways derived approximately 29 percent of its gross annual revenues from Atlantic City service in 1982.

Leisure Time Tours/Golden Coach A.C., Inc.—Headquartered in Ventnor City, NJ, LTT/Golden Coach provides bus passenger service between Atlantic City and points in Delaware, Maryland, New York, Pennsylvania, and New Jersey. Common Pennsylvania points served include Warminster, Warrington, Doylestown, Lansdowne, Philadelphia, Elkins Park, Drexel Hill, Upper Darby, Springfield, Bensalem, Norristown, Conshohocken, and Cheltenham. In New Jersey, points in Burlington, Camden, Cumberland, and Atlantic Counties are commonly served for Atlantic City runs.

During the peak season from July through Labor Day, LTT/Golden Coach runs 40 scheduled buses per day between Atlantic City and points in Pennsylvania and New Jersey, 6 buses per day between Alantic City and points in Delaware and Maryland, and 9 buses per day between Atlantic City and points in New York. Even in the offseason extending from September through June, LTT/Golden Coach runs 30 buses daily between Atlantic City and points in Pennsylvania and New Jersey, 3 buses daily between Atlantic City and points in Delaware and Maryland and 4 buses daily between Atlantic City and points in New York. LTT/Golden Coach has at least 36 scheduled departure times daily for its bus operations, extending from 8:00 a.m. to 8:00 p.m.

LTT/Golden Coach employs 92 drivers and other employees at its Ventnor City office which are directly dependent on the Company's Atlantic City operations for continued employment. Virtually 100 percent of the Company's gross annual revenues derived in 982 were earned in Atlantic City service.

Connecticut Limousine Service, Inc., *Connecticut American Charters, Inc.*—Headquartered in New Haven, CT, these Companies provide service between Atlantic City and points in New Haven and Fairfield Counties, CT and Westchester County, NY. Conn. Amer.-Conn. Limousine run between 4 and 5 scheduled trips daily to Atlantic City, departing throughout the day. In addition, the Companies run between 3 and 5 charter trips daily to Atlantic City. The average passenger fare for scheduled service to Atlantic City is approximately $20.00. Approximately 10 employees depend on the Atlantic City operations for their continued employment. In 1982, the Companies derived 24 percent of their gross annual revenues from the provision of Atlantic City service.

Romano's Gray Line.—Headquartered in Norristown, PA, Romano's Gray Line runs between 4 and 8 charter buses daily to Atlantic City. With an average fare of $10.90 per person, passengers from the Norristown area enjoy efficient Atlantic City service at convenient times throughout the day and evening.

Trailways, Inc.—With an office strategically located in Atlantic City, Trailways provides efficient bus transportation service between Atlantic City and points in the Philadelphia metropolitan area, including the Camden, Cherry Hill and Mount Laurel areas in New Jersey. With up to 45 scheduled departures daily, plus 55 extra sections, passengers enjoy scheduled departure times extending from 10:00 a.m. through 7:00 p.m. throughout the year.

Trailways operates between 75 and 110 motor coaches in Atlantic City service. Trailways employs 150 persons in its garage and related operations, 85 full-time and 25 part-time drivers, and 15 professional and sales persons, all of whose duties directly relate to Trailways' Atlantic City operations. In short, the Company employs 275 employees to provide efficient, convenient, non-subsidized passenger transportation service between Atlantic City and points in south Jersey and the Philadelphia area. Atlantic City service generated 85 percent of Trailways' regional gross annual revenues in 1982. Scheduled service fares between the Philadelphia area and Atlantic City average $10.95.

American Trails Bus Co.—Headquartered in Philadelphia, PA, American Trails provides 12 daily scheduled runs in the off-season and 20 Scheduled runs in the peak season to Atlantic City from southeastern Pennsylvania points, including Philadelphia, and selected points in south Jersey. American Trails also runs between 4 and 8 charter buses daily to Atlantic City. Departure times extend from 8:30 a.m. to 6:30 p.m. daily. Fares average only $10.75. The Company employs 10 workers directly in its Atlantic City operations and derived approximately 95 percent of its gross annual revenues in 1982 from Atlantic City service.

We emphasize the data presented on individual bus companies are merely representative of the many additional ACBOA members which depend to a great extent on their Atlantic City passenger operations for their livelihhood. Literally hundreds, if not more than a thousand employees, representing a multi-million dollar a year private-sector payroll, depend collectively on the Atlantic City operations of ACBOA's members for their jobs. Most importantly, the bus operations to and from Atlantic City by members of ACBOA represent the initiative of private enterprise at its best—the provision of a needed transportation service in an efficient and low-cost manner at no government expense.

What business does the Federal Government, which ultimately must answer to the American taxpayer, have in subsidizing, through Amtrak's capital and operating subsidies, the transporation of gamblers to and from Atlantic City casinos?

Just as importantly: How can the Congress justify subsidizing the proposed "Gamblers' Express" to and from Atlantic City as Amtrak proceeds to discontinue vital rail service throughout other regions of the country, including, for example, the entire State of Wyoming?

Even in those areas of the country Amtrak does not abandon completely, would not diversion of vital funds to the Atlantic City rail line inhibit Amtrak's progress toward the modest goal of serving its existing route structure with "only" a 50 percent subsidy?

In testimony before this Subcommittee on March 14, 1983, Mr. Thomas A. Till, Deputy Administrator of the Federal Railroad Administration, emphasized the importance of continuing the joint efforts of the Administration and Congress to establish Amtrak's operations on a more business-like basis and to reduce its financial dependence on the Federal government. As part of that effort, Mr. Till noted Congress has required greater objectivity in route and service decisions. Referring specifically to the Administration's budget proposal of $68 million in new appropriations to meet Amtrak's capital needs in Fiscal Year 1984, Mr. Till emphasized this budget proposal specifically excludes funding for certain capital projects [such as the Atlantic City rail line] for which funds were previously earmarked by Congress. Mr. Till specifically noted: ". . . Congressional earmarkings for specific trains and routes . . . If implemented would displace scarce capital from Amtrak's already modest program supporting its current system. Actual operation of most of the earmarked service would further drain Amtrak's operating subsidy and threaten its progress in meeting or bettering its 50-percent operating ratio.

Mr. W. Graham Claytor, Jr., President and Chief Executive Officer of Amtrak, testified before this Subcommittee on March 14, 1983. He acknowledged the Administration's $68 million in proposed Amtrak capital funds for Fiscal Year 1984 would be adequate to fund Amtrak's capital program requirememts, only assuming Fiscal Year 1983 legislation, such as that directing $30 million for Atlantic City track reconstruction be funded from the existing Northeast Corridor Improvement Project, is cancelled or otherwise funded. He departed from his prepared remarks in response to a question posed by Chairman Danforth, by admitting Amtrak had not requested new-route projects such as the one designated in the last Congress for Atlantic City. In fact, Mr. Claytor questioned whether the proposed passenger railroad would be able to attract passengers because of the very short travel distance involved between Philadelphia and Atlantic City.

A principal point elicited from the colloquy between Senator Danforth and Mr. Claytor is that new rail projects such as the Atlantic City rail line reflect the continuing "pork-barrel" politics of Congress and not the measured recommendations of railroad professionals at Amtrak. Senator Danforth noted at the March 14 hearing of this Subcommittee that editorial writers easily could call new-route rail projects such as that designated for Atlantic City sheer "pork".

ACBOA strongly endorses Senator Danforth's characterization of the Atlantic City rail line project as pork-barrel politics at its worst. At a time when Senator Wallop is extremely concerned with Amtrak's recommendation to its Board of Directors to abandon all rail service to the State of Wyoming in favor of a more scenic route through Colorado, thereby leaving Wyoming with no Amtrak rail service whatsover, the authorization of Federal funds to finance construction and undoubtedly to subsidize operations of the "Gamblers' Express" to and from Atlantic City is an anomaly.

Since the passenger of H.R. 3420 in the lame-duck session of the last Congress, ACBOA believes certain factors have become more clear and that such factors require a reassessment by the Congress of the wisdom of the Atlantic City rail line project. We have filed these concerns elsewhere in this Congress. Specifically, we believe this Subcommittee and the Congress should consider the following points in assessing the continuing need for the Atlantic City rail line project:

1. Many bus operators now provide low-cost frequently scheduled, door-to-door bus service between the Philadelphia metropolitan area and Atlantic City and conduct that service without any Federal subsidies.
2. Construction and operation of the Atlantic City High-Speed Rail Line would provide Federally-funded competition to the private sector service ACBOA members now provide, thereby endangering jobs and private investments.
3. Members of ACBOA have invested substantial resources in providing their low-cost, high frequency, door-to-door service; for example, member Trailways, Inc., has constructed a $3,000,000 terminal facility in Camden, NJ to provide its Atlantic City service. Trailways is one of the few companies to open a major new business operation in Camden in recent years and also is one of the largest minority employers in the city of Camden.
4. Recent press pronouncements have estimated the capital outlay for the Atlantic City rail project at nearly 3 times the $30,000,000 originally estimated and authorized for this project.
5. ACBOA understands the project may require several years, if not more, of Federal funds to subsidize its operations until any profit could be expected, if ever.
6. There is a great deal of seasonality in operations to and from Atlantic City. As the Subcommittee may well be aware, non-casino patrons normally visit Atlantic City during the summer vacation months. ACBOA's membership reports casino traffic tends to follow similar seasonal fluctuations, despite various incentive programs offered by many casinos.
7. The seasonality of these operations, of course, could be a substantial hindrance to the financial health of any rail line while bus service, of course, can respond to such seasonal fluctuations.

8. Amtrak has emphasized recently it does not seek to run any commuter service on the line. New Jersey residents have protested against development of the "closed door" rail line, which would only result in problems, not benefits, for New Jersey communities along the right-of-way. New Jersey DOT Assistant Commissioner Melvin Lehr has acknowledged recently the criticism of Amtrak's proposal to serve only the casinos is valid. Lehr has been quoted as saying, "I think when we're talking about intercity passenger service, the people are right on. . . It services only Atlantic City." See, Atlantic City Press, March 23, 1983, at 17. (Copy attached as Appendix E).

9. The prime beneficiary of the rail line may be a single casino. We understand the one casino has purchased the property on which the Atlantic City rail station must be built. The station might, therefore, funnel Federally supported gamblers into a single gambling establishment. See N.Y. Times, N.J. Ed., 16 (March 27, 1983).

10. Members of the Atlantic City Bus Operators Association have a common interest with legislators on many matters of serious concern to South Jersey, including the projected $100,000,000 cost of repairing the Ben Franklin Bridge, a vital route over which bus companies and many South Jersey commuters must travel daily between Philadelphia and Camden, NJ.

At a time when our highways are crumbling, our bridges are collapsing, and other vital public services are declining, ACBOA urges this Subcommittee and the Congress to reconsider the wisdom of spending $90 million in capital funds, and untold millions more in operating subsidies, for an unnecessary rail line, the utility of which admittedly would be limited primarily to the transportation of gamblers to and from Atlantic City casinos. The private sector bus industry, made up primarily of ACBOA members, now provides convenient and low-cost service, at user expense, to those same casino patrons. The Federal government, financed by the already overburdened American taxpayer, has no business in competing with private enterprise in the Atlantic City transportation market.

ACBOA respectfully requests this Subcommittee and the Congress adopt, as proposed, that portion of the Administration's fiscal year 1984 budget, attached as Appendix F, which provides no money for funding of the Atlantic City rail line project and relieves the U.S. Department of Transportation of any obligation to reserve or expend money for the project.

STATEMENT OF JEROME C. PREMO, EXECUTIVE DIRECTOR, NEW JERSEY TRANSIT CORP.

New Jersey Transit appreciates the opportunity to submit for the record, written testimony to the Senate Committee on Commerce, Science and Transportation regarding the reauthorization of the Rail Passenger Service Act. Specifically, our comments address the Administration's proposed amendment to Section 403(d) of that Act.

The New Jersey Transit Corporation, a statewide public transportation agency provides commuter rail service to 70,000 daily commuters. An additional 265,000 riders use bus services which are under the auspicies of NJ Transit.

As you may be aware, NJ Transit, on January 1, 1983 took over direct control of commuter rail services, within New Jersey, which were previously operated by Conrail. Conrail was required to cease all commuter rail service according to provisions included in the Northeast Rail Services Act of 1981.

New Jersey's commuter rail network consists of 9 commuter rail lines. One of the most heavily travelled rail lines within the State is the Northeast Corridor. Presently, New Jersey commuters on the Northeast Corridor rely on locally provided NJ Transit commuter trains and Amtrak operated 403(d) trains, commonly referred to as clockers, which operate between Philadelphia and New York.

The Administration's Fiscal Year 1984 Budget proposal recommends that the clocker trains, operating under Section 403(d) of the Rail Passenger Service Act be terminated, unless New Jersey and other affected States, fully reimburses Amtrak for costs attributable to such service. New Jersey strongly opposes this recommendation.

The Administration's proposal reopens the issue of 403(d) Amtrak Service which was discussed at length by Congress less than two years ago. Congress, after much debate, confirmed the essential nature of 403(d) trains in enactment of the "Amtrak Improvement Act of 1981." Section 1183 of this Act which amended Section 403(d) of the Rail Passenger Service Act (45 U.S.C. 563(d)), incorporates the Philadelphia-New York clocker trains and other 403(d) trains into Amtrak's basic system subject to a performance criterion of 80 passenger miles per train mile.

The Philadelphia-New York clocker trains easily meets this criterion set by Congress. In fact, these trains are some of the most heavily patronized ones in the entire Amtrak system. The elimination of these trains, considering the high level of ridership cannot be justified.

The Administration's recommendation that 403(d) trains be fully subsidized by States, fails to recognize that these trains have been part of Amtrak's Basic System since its inception. Furthermore, the trains have historically provided an important link in the public transportation network of the Northeast Corridor. These trains serve as an efficient and essential means of moving intercity travellers to and from Northeast corridor cities such as Washington, Baltimore, Harrisburg, Philadelphia and intermediate points in New Jersey.

In the case of the Philadelphia-New York clocker trains, an analysis conducted by NJDOT in March 1979 determined that a large majority of these trains carry at least 60 percent intercity passengers. The high proportion of intercity travellers reenforces the position that these trains are an essential part of high quality intercity rail passenger service required on the Northeast Corridor. The high level of intercity passengers also raises the question of why States, rather than Amtrak, should bare the full costs of operating these trains. It is the State of New Jersey's contention that these trains primarily serve intercity passengers at levels required by Congress and therefore, should remain as part of Amtrak's Basic System.

It is interesting to note that in a recent ruling (Ex Parte No. 417 costing methodologies for the Northeast Corridor: Commuter Service) by the Interstate Commerce Commission, served March 3, 1983, the issue of the clockers was addressed. The ICC, in answering Amtrak's claim that certain Amtrak trains should be considered commuter trains for the purpose of determining the allocation of costs on the Northeast Corridor, responded "that although Amtrak is an intercity passenger carrier, it elected to accept commutation discount (multiple ride) tickets on its intercity trains when operations began in 1971. Based on the limited information available, it appears that Amtrak's acceptance of commuter passenger tickets may be strictly a policy decision on the part of Amtrak and not an attempt to duplicate or supplement existing commuter service provided by the various commuter authorities.

However, the extent to which Amtrak provides commuter service is not clear from either the DOT reports or from the information provided by Amtrak and NARP. Accordingly, we do not have any basis for concluding that the operation of commuter service was understated in the initial decision.

On the other hand, New Jersey fully recognizes that these 403(d) trains provide essential commuter rail service to commuters on the Northeast Corridor. Termination of these trains by Amtrak would have a highly disruptive effect upon both Northeast Corridor and New Jersey commuter service. During peak hours Amtrak provides sorely needed additional capacity from Trenton to New York City. Were these trains eliminated, the fabric of New Jersey commuter operations on the Northeast Corridor would be ripped apart.

While New Jersey would have the option to "fully fund" these trains under the Administration's proposal, the simple fact is that the State does not have the financial resources to do so. The NJ Transit operating budget is already strained as a result of reductions in Federal operating assistance and operating expenses which in the past several years have increased. To offset this loss in revenues and additional costs, New Jersey commuters have sustained sizeable fare increases, in each of the past three years.

The continuation of the clocker trains through State subsidies, however, should not be an issue. Besides the fact that these trains are part of Amtrak's Basic System and carry thousands of intercity travellers, it must be pointed out that a financial agreement exists in which Amtrak is reimbursed $3.09 per ticket by New Jersey, for each passenger who uses a commuter pass. This agreement was reached by Amtrak and the State of New Jersey only after lengthy discussion. The financial reimbursement agreed to, in our opinion, addresses the issue of State support for the Philadelphia-New York clocker trains. Furthermore, the reimbursement rate of $3.09 per commuter ticket represents a 283 percent increase over the 1981 financial arrangements.

Revisions to previous financial arrangements were made so that Amtrak would be more fully compensated for its acceptance of monthly commuter passes. Should Amtrak decide that this financial arrangement is not equitable they are able to once again sit down with New Jersey state officials and negotiate a new agreement. A Congressional manadate requiring full reimbursement or cessation of service, however, would result in the State paying for not only commuter passengers, but intercity passengers as well.

Finally, we question how Amtrak would propose to equitably allocate the cost of the 403(d) Philadelphia-New York trains among the various states. How would Amtrak reimburse state governments for intercity passengers who should continue to be an Amtrak responsibility?

New Jersey strongly opposes the Administration's proposal to have States fully fund 403(d) trains. We believe Congress, only two years ago, completely reviewed such a proposal and determined that it was unjustified.

NATIONAL GOVERNORS' ASSOCIATION,
COMMITTEE ON TRANSPORTATION, COMMERCE, AND TECHNOLOGY,
Washington, D.C., April 4, 1983.

Hon. JOHN C. DANFORTH,
Subcommittee on Surface Transportation Committee on Commerce, Science, and Transportation, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The Administration is to be commended for seeking to achieve greater efficiencies in federally-supported programs. However, there exist several compelling reasons why a compromise should be sought with regard to the proposed amendments to Section 403 of the Rail Passenger Service Act.

The states may at some later date be able to accept the basic concept of turning back responsibility to the states for funding certain passenger operations. In the midst of recession-stimulated fiscal problems in nearly every state, however, there is no funding flexibility to absorb such additional expenditures. Later, perhaps, but not now.

As a practical matter, the impact of the proposed amendments will be to end section 403 local rail service and commuter rail service in most if not all of the states.

An NGA survey of the eight states which now participate in the 403(b) program has found that only California might be able to continue operations at all, and then only at reduced levels of frequency and routes. The other affected states either are unable to finance for the near term this substantially higher commitment or are trapped by timing constraints associated with budget cycles and legislative sessions. Similar circumstances persist with respect to the commuter provisions, where only the Pennsylvania-New Jersey joint service probably would survive.

Coming as it does during a time of extreme financial stringencies on the part of the affected states, coupled with these timing problems, I am forced to conclude that a program which has proved its merit will be eliminated or substantially curtailed—not as a conscious transportation policy decision, but rather the result of being trapped by state budget deficits and/or the limitations of legislative calendars.

It is important to note that this state-assisted rail service program does provide a direct benefit to the Amtrak system by extending its routes, providing greater frequency over portions of its existing national route system, by adding to Amtrak ridership through connecting passengers, and by contributing favorably to Amtrak revenues.

National Governors' Association policy opposes charging states more than the marginal cost of providing service on shared-cost 403 routes, stripped of allocations for overhead and long-term debt. Current NGA policy, therefore, would not lend support to the Administration's proposed changes. As an alternative, however, either a postponement in consideration of the Administration recommendations to enable the states to budget and properly plan for the altered financial circumstances, or, *preferably* to structure the level of state participation on a fixed, multiyear formula which recognizes that Amtrak derives direct cash benefits. Under this arrangement Congress could arrive at a formula which sets an appropriate level of financial participation by both parties, while importantly giving the state a more predictable environment in which to be involved in the 403 program—one in which they can plan with some certainty for continuing, adding, or terminating local service trains.

Such an arrangement could better position 403(b) service to be on a stronger footing and to contribute further to the financial health of Amtrak.

At the same time, I personally believe it is appropriate to consider an assessment of the basis upon which new local service may be added, from time to time, buy the states in cooperation with Amtrak. Amtrak rightly is concerned that a 403(b) route launched as a short-term experiment, if aborted after a brief period of time, can have a very negative impact upon Amtrak. The corporation will have made direct cash investments which cannot be recaptured, yet it will have derived little or no economic benefit from that investment. It may be reasonable to require new starts in 403(b) to be guaranteed by the states over a fixed term sufficient to give Amtrak some protection for the investment it has made.

On behalf of the National Governors' Association, we pledge cooperation in working with the Congress and the Administration to develop an appropriate compromise which respects the value of the taxpayer's dollar while providing a prudently conceived, financed and managed rail passenger transportation service which supplements and strengthens the national system.

Sincerely,

Gov. Robert D. Orr,
Chairman.

○